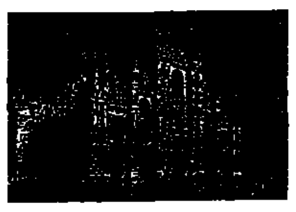
# FINANCIAL TIMES


Start the week with...



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World Business Newspaper http://www.FT.com MONDAY AUGUST 11 1997


## Foreign investors circling sale of Italian exchange

International banks and stockbroking firms are showing keen interest in buying into the Italian stock exchange when it is sold at auction in a private placement next month. Bids are being invited for stakes in the Borsa Italiana starting on September 2. Francesco Cesarini, chairman of the stock exchange council, said several foreign institutions as well as the big Milan-based banks and broking firms had approached the exchange about taking stakes. Page 14

**Bundesbank on inflation-watch:** Inflation is threatening again in Germany and the Bundesbank is making preparations to keep it at bay by raising interest rates. The central bank's anxieties have been reawakened because the D-Mark since last August has fallen 25 per cent against the dollar. Page 2

**Standard Chartered,** the UK-based bank, is planning to switch its accounts into dollars to avoid swings in its results from sterling's fluctuations against the currencies in which it deals. Even if the UK does not adopt the single currency of European monetary union in 1999, Standard Chartered sees the euro as even further removed from its operations than the pound. Page 15; Strength in numbers, Page 12

**Yamaichi directors ready to go:** Japan's widening scandal over financial firms linked to corporate gangsters was set to claim a fresh round of victims today with resignations at Yamaichi Securities. Japanese media said Yamaichi would remove a core group of directors at an emergency meeting, including the president, chairman and five vice-presidents. Page 14

**Accusations mar Mideast mission**

Israeli and Palestinian leaders continued to trade accusations as US Middle East peace envoy Dennis Ross, left, began shuttling between the two camps in an attempt to build confidence and restart talks. As the US mission began, pro-Iranian Hizbollah guerrillas killed an Israeli soldier in southern Lebanon in a further escalation of hostilities in Israel's self-declared security zone. Page 3; Editorial Comment, Page 13

**UPS strike talks break off:** The US labour dispute between United Parcel Service and the Teamsters union deepened after a breaking off of talks focusing on part-time work and pension arrangements. The week-old stoppage by 185,000 drivers, sorters and loaders has brought the delivery business almost to a standstill. Page 3

**Japan may cut corporate tax:** The Japanese government and senior politicians are pushing to cut the rate of corporate tax next year from 37.5 towards 35 per cent. But the finance ministry is demanding that the cut be offset by abolishing tax breaks such as allowances for retirements and loan losses. Page 3

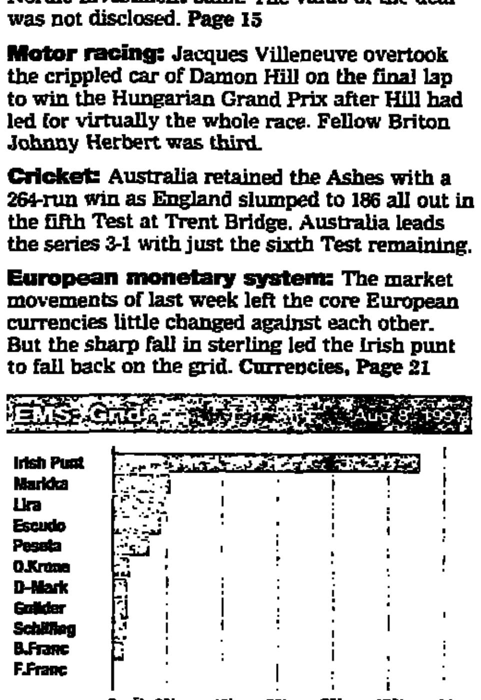
**BT braced for share fall:** Shares in British Telecommunications, which have fallen sharply since its proposed merger partner MCI issued a profits warning last month, are expected to slide further today when the stock goes ex-dividend. Analysts predict the shares will fall by at least 47p, the amount BT will pay to shareholders on the register before today. Page 15

**Peregrine Investment Holdings,** the Hong Kong-based investment bank, is to acquire the emerging markets operations of Carnegie, the Nordic investment bank. The value of the deal was not disclosed. Page 15

**Motor racing:** Jacques Villeneuve overtook the crippled car of Damon Hill on the final lap to win the Hungarian Grand Prix after Hill had led for virtually the whole race. Fellow Briton Johnny Herbert was third.

**Cricket:** Australia retained the Ashes with a 264-run win as England slumped to 186 all out in the fifth Test at Trent Bridge. Australia leads the series 3-1 with just the sixth Test remaining.

**European monetary system:** The market movements of last week left the core European currencies little changed against each other. But the sharp fall in sterling led the Irish punt to fall back on the grid. Currencies, Page 21




*The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.*

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US president will be the first to reject specific tax and spending plans

# Clinton to use his budget veto

**By Nancy Dunne in Washington**

President Bill Clinton will today become the first US president to veto specific provisions of tax and budget legislation, exercising a powerful new constitutional tool for limiting wasteful spending.

Mr Robert Rubin, treasury secretary, said on US television yesterday that the president had decided to veto items "on both the tax and spending side" of the balanced budget and tax-cutting bills.

The bills were signed with much fanfare last week, after long and tense negotiations with the president's Republican opponents. By law, today is the last day he can use the "line item veto". US presidents have sought the right to use a line item veto for decades, but it has been denied by Congress, protective of its powers to give and take away tax breaks, raise and lower spending, create and eviscerate legislative programmes.

It was finally approved by the last Republican Congress, which hoped a Republican president would hold the veto after last year's elections.

Mr Clinton's actions are expected to face an immediate constitutional challenge. Several congressmen challenged the veto in court as soon as it went into effect on January 1 this year. The Supreme Court, however, threw out the challenge on the grounds that the congressmen had suffered no personal harm and the veto had yet to be exercised.

Speaking yesterday on ABC's This Week, Mr Rubin said the president's use of the veto "can create a useful and potentially very strong deterrent to people including inappropriate measures in future legislation".

However, in using the veto, the president risks disturbing the unusual bipartisan harmony achieved with the passage of last week's legislation. He will need broad Republican support for his major objective in the autumn – the passage of new trade negotiating authority. Republican leaders have warned the president against exercising the veto on last week's bills. Mr Newt Gingrich, House speaker, said "it would violate the spirit" of the deal.

Mr Rubin said the president would not veto any item specifically agreed in the bipartisan negotiations. He would also make public his criteria.

It was thought the president might wait until autumn to exercise the veto when the "appropriations" bills are due to come to his desk. These bills are always full of measures favourable to special interest groups, and would offer the president several targets for an attack on "pork-barrel politics". While the leaders of both parties last week extolled the benefits of the balanced budget and the tax breaks, no mention was made of numerous provisions dropped into the 200-page tax bill for special groups.

In the tax bill, the congressional Joint Committee on Taxation has identified 79 provisions for special groups eligible for the veto. With the line item veto, the president can cancel any "limited tax benefit" that affects 100 or fewer taxpayers.

For example, the bill could exempt petrol station owners from the federal petrol tax when selling to local governments. Microsoft and other computer software manufacturers could receive export credits for overseas sales.


Washington muscle, Page 3


# UAE trade centre seeks foreign funds

**By our Financial Staff**

An Abu Dhabi company will be formed to raise up to $1bn in equity from international investors to develop an offshore financial and commodity trade centre on Saadiyat island off the United Arab Emirates.

The issue, the first ever by a company from the United Arab Emirates, is part of a $3.3bn project. It marks an ambitious attempt by Abu Dhabi, the largest of seven emirates, to diversify away from oil, which accounts for nearly half of UAE exports.

More than half the financing for the development of Saadiyat is expected to be put up by domestic government institutions, the rest being raised from domestic and international investors.

The international portion of the equity issue will be in the form of Global Depositary Receipts (GDRs) listed on an international stock exchange, making it the first Gulf issue completely open to foreign investors. GDRs trade in lieu of underlying equity. Nomura International, from its London base, is acting as underwriter and global co-ordinator of the initial public offering.

The main drive behind opening the company's capital to international investors is to position the offshore centre as a global entrepôt.

Among countries in the Gulf, Oman and Bahrain give foreign investors limited access to their capital markets. But the UAE and Saudi Arabia have only recently allowed foreign investors indirect access via one specific fund in each country.

The Emirate of Abu Dhabi has more than 90 per cent of the UAE's oil reserves but has fallen behind the more active Dubai in seeking to develop non-oil revenues. Dubai has carved a role as a vibrant re-export market, with its port and airport turned into regional trade hubs.

The project will include a futures exchange and stock market, on which the Saadiyat company will be listed.

The heart of the project is to develop a centre to trade physical commodities, and support it with 9.3m tonnes of capacity storage, a port, a freight centre, and a financial and insurance centre to facilitate trading.

The construction period is expected to take three years, according to Abu Dhabi officials, but the stock market and other facilities will begin operating from a temporary location in Abu Dhabi city.

A rationale of the project is to capture the financing and trading opportunities for the more than $20bn in industrial projects planned in the Gulf countries over the next few years, mainly in the petrochemical, food processing and metal industries.

## Running up the flag for India's 50th

Tailors in Patna, capital of the eastern Indian state of Bihar, have been working overtime to meet heavy demand for national flags for the celebrations surrounding the 50th anniversary of the country's independence from Britain on August 15.


Indian path to reform, Page 12


# Shell opens up in bid to be more investor-friendly

**By Robert Corzine in London**

Royal Dutch/Shell, the Anglo-Dutch oil group, will publicly disclose how it is doing against internal performance targets for the first time in an attempt to become more investor-friendly.

Mr Mark Moody-Stuart, chairman of Shell Transport and Trading, the London arm of the group, said there had been many discussions within Shell's top management of the merits of being more open about the company's performance. "There has been a lot of debate about how wise it would be to do that," he said in an interview with the Financial Times.

Mr Moody-Stuart added that Shell intended to drop its policy of not visiting leading shareholders on an individual basis, which has been criticised by several institutional investors: "It is unacceptable for us to say we are too busy or too big to see major investors for one-to-one meetings."

Several large institutions were irritated that their only personal contact with Shell came earlier this year in response to a resolution from dissident shareholders criticising Shell's environmental and human rights policies. Senior executives visited the top 50 shareholders to secure their backing in its successful bid to defeat the resolution.

Although Shell has published a "road map" for its development, it has been criticised for not publishing a timetable for meeting specific growth targets.

"There has been a great deal of discussion on the precision of the timing we can give," Mr Moody-Stuart said. "But we have five-year business plans and I am in favour of saying this is what we plan to do in this period."

Mr Moody-Stuart said the disclosure would be of targets and plans rather than of company forecasts. He said Shell had "ambitious profits targets", although he would not confirm a recently published statement that it planned to double its earnings of about £5.5bn ($8.7bn) by 2001.

He rejected suggestions that Shell's financial reporting methods made it more difficult for investors to understand than other leading oil companies: "I do not accept that there is a lack of clarity in the results." But he said the complexity of the company "makes it difficult to forecast from outside, and sometimes from inside as well".

Mr Moody-Stuart also defended Shell's policy of maintaining large cash reserves. Although the size of the cash mountain – £6.9bn – may be somewhat "exaggerated", he said it gave the company competitive leverage, especially when dealing with governments.

# Krupp and Thyssen to look at scope for more links

**By Frederick Stüdemann in Berlin**

Thyssen and Krupp Hoesch are to open talks next month about prospects for merging more activities after the fusion of their steel businesses.

However, the two big German industrial groups played down speculation that they were working towards a full-scale merger following the failure earlier this year of Krupp's hostile bid for Thyssen.

Mr Reiner Hochscheid, Thyssen spokesman, said next month's talks would look at the activities of both companies "division by division" to determine where co-operation was possible.

Dependent on the success of those talks, the companies would proceed to establish co-operative ventures or mergers. This may include the groups' trading divisions and automotive supply activities.

Most of the possible synergies to be had from bringing Thyssen and Krupp together had lain in the steel activities, Mr Hochscheid said. While there was scope for further savings through mergers, there were also significant areas, such as telecoms, where there was no overlap.

Mr Hochscheid said the talks would be wide-ranging and there was no pressure to produce a result.

Krupp scrapped its March takeover attempt after industrial action at both companies by steel workers fearful of plant closures and job losses, opposition from local politicians and public outcry over the "barbarian" nature of the bid. But in return, Essen-based Krupp, the smaller company, secured agreement with Thyssen to merge the groups' steel activities into a single company which will have sales of DM15bn ($8.1bn) and 30,000 employees. The steel merger, which is set to be completed at the end of this month, will create the largest flat steel producer in Europe and the third largest in the world.



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# Bundesbank set for new inflation fight

By Andrew Fisher in Frankfurt

Inflation is threatening to raise its head again in Germany – though the signs are ever so faint, as yet – and the Bundesbank is making preparations to keep it at bay by raising interest rates.

But when and by how much remain uncertain. A small move could come this week with the next securities repurchase (repo) tender. Or it could be delayed until August 21 – the next council meeting – or later. By setting a fixed repo rate for only two weeks of the bank's four-week summer break, the Bundesbank itself began the speculation.

Since this is now the third week, the guessing game is proceeding in earnest. Bundesbank-watching is back in vogue after a long period of unchanged interest rates. The repo, through which the bank influences the money market, has been fixed at 3 per cent for the past year.

Although economists are divided on whether the Bundesbank will act just yet, they do not expect a rise in the discount and Lombard rates – now 2.5 per cent and 4.5 per cent respectively – for some time. Attention is concentrated on the repo as the most likely advance weapon in the Bundesbank's fight against inflation. A switch to a variable rate tender tomorrow would allow the repo to edge up to perhaps 3.2 per cent initially and 3.5 per cent by year-end.

Bundesbank anxieties have been reawakened by the steep rise in the dollar, though it eased on Friday to around DM1.85. Since last August, the D-Mark has fallen 25 per cent against the US currency. This has helped exporters, propelling German shares to record levels, but also lifted import prices.

So far, these have not fed into inflation. But Mr Eckhard Schulte, economist with IBJ Research in Frankfurt, reckons rising producer prices (up 1.4 per cent in June over the previous year) and import prices (up 3.5 per cent) "will soon affect consumer prices as well". Thus inflation could exceed 2 per cent, a level which sets off alarm bells, at the central bank, in the autumn.

This concern is certainly shared by Mr Otmar Issing, a senior director of the Bundesbank. He has warned about price trends, saying in a weekend interview these were clearly moving "in the wrong direction".

He told Börsenzeitung, a financial daily, that monetary conditions had eased markedly as a result of the D-Mark's decline. While not indicating when rates might rise, he made clear the bank would not be held back by the approach of the single currency or the state of the economy.

In fact, Mr Issing suggested the opposite. Action now against inflation could help bolster the euro, due to be introduced in 1999. "The European central bank will have to pick up the pieces, if we make mistakes today in our stability-oriented policies."

He also overrode fears that even minor rate rises could unsettle economic recovery by saying high unemployment was largely a structural problem. As for the growth outlook, he saw signs that domestic demand was picking up to accompany the boom in exports.

Some economists feel Mr Issing is over-emphasising the inflation demon. Marginal rate rises would do little to bring down the US currency, says Mr Stefan Schneider of Paribas Capital Markets.

"It should stay calm and accept a temporary overshooting of the dollar".

Some of Mr Issing's colleagues agree. Mr Ernst Welteke, head of the regional central bank of the state of Hesse and a Bundesbank council member, says a rise in rates would not be advisable with the jobless rate so high. But Mr Issing is not easily dissuaded. If rates do not change this week, a rise is on the cards soon.

# Waigel wants payments cut

Mr Theo Waigel, the German finance minister, has served notice that Germany will seek a sharp reduction in payments to the European Union and warned fellow member states of the consequences of unfair "tax dumping" policies, Frederick Stüdemann writes from Berlin.

In a further sign of German reluctance to be the paymaster of Europe, Mr Waigel said it was no longer tenable that "one state, Germany, paid for more than 60 per cent of EU expenditure". Since unification, Germany had to be assessed according to new criteria of wealth, he told Spiegel magazine.

Rather than pay 0.6 per cent of gross domestic product as at present, Mr Waigel said Germany should pay at most 0.4 per cent. The reduction would represent a saving of DM6bn-DM7bn ($3.2bn-$3.8bn).

Mr Waigel's comments, which were reiterated in a television interview, follow proposals last month from the European Commission that the existing contribution structure for the financing of the EU be maintained while at the same time the Union press ahead with eastward expansion.

In particular, the finance minister took issue with member states that had low tax policies aimed at sucking corporate and private capital out of Germany.

# Prodi reminder of Italy's claim

**Mr Romano Prodi, Italy's prime minister, called on Germany to respect Italy's claim to be a founder member of European monetary union and proposed that the head of the Bundesbank become the first president of the European central bank in order to ease German doubts, Andrew Fisher writes. He also expressed concern about Germany's current political problems, saying: "I am frightened of a Germany that is frightened." He did not refer to the government's failure to push through tax reforms, but said he wanted Germany to show its political strength again. "I do not like Germany in its present paralysed state."**

**Mr Prodi made his suggestion that Mr Hans Tietmeyer, head of the Bundesbank, should lead the ECB in order to reinforce his desire that German doubts about Italy's membership of Emu "do not turn into prejudices". Mr Prodi said Italy would support Mr Tietmeyer's candidacy because it wanted Germany to have no worries about the process of European integration. "It is clear to me that the Germans, just like the Italians, have a right to be reassured."**

**Mr Tietmeyer has endorsed Mr Wim Duisenberg, president of the European Monetary Institute – the ECB's forerunner – as head of the planned central bank.**

# Swiss trains running out of steam

## 150 years old, much loved, but a 'real burden' on public finances, reports William Hall

Swiss train in the Alps: the "world's best railway system" is struggling

It has been called the best railway system in the world. Nowhere in Europe, and possibly nowhere in the world, are trains more frequently and widely used. Half of all adults carry a railcard and a million a day take the train. Almost 40 per cent of goods traffic goes by rail.

The Swiss love the railway – and know the way to run one.

Far from being trimmed as in other countries, the country's dense rail network has marginally increased in size over the last 30 years and several rail tunnels are still being built to reduce journey times.

So there was a lot of heartfelt celebration over the weekend when festivities were held to mark 150 years of rail in Switzerland.

But the anniversary also provided the opportunity for some reflection. The publicly owned system is facing increasing public pressure to privatise parts of its business after losses of more than SFr1bn ($660bn) (£400bn) over the last five years and a steady decline in its goods traffic.

The recent suicide of Mr Jean-Pierre Kälin, the personnel chief of the Swiss Federal Railways (SBB), and the repeated breakdowns of the Pendolino, the SBB's new high-speed train linking Zurich to Milan, have highlighted the pressures facing the management to cut costs while maintaining timekeeping and reliability.

Since 1992 the SBB's revenues from goods traffic have fallen by 30 per cent because of competition from road traffic and another third of its SFr933m goods revenues could be threatened if Switzerland bowed to European Union pressure and lifted its ban on 40-tonne lorries crossing its soil.

Meanwhile, passenger traffic has stopped growing and although the SBB's annual loss has been cut from SFr496m in 1995 to an estimated SFr153m in 1997, the Swiss government is keen to make further cuts in an annual subsidy which has risen from nil in 1970 to SFr2.4bn in the current year.

The SBB has cut its workforce from 39,000 to 31,600 since the start of the decade, but Sonntags Zeitung, a leading Swiss newspaper, reported yesterday that it was considering shedding 12,000 more jobs by spinning off non-core businesses.

Mr Jules Kyburz, the SBB chairman who also heads Migros, Switzerland's biggest supermarket chain, said Switzerland's railways had become a "real financial burden" for Switzerland's public finances.

"Productivity must be increased further. Customer needs are clamouring for attention... we are still too much of an administration and not enough of an enterprise," he said.

Mr Benedikt Weibel, SBB's chief executive, says that in a hundred years Switzerland's 5,000km rail network might be a "bit smaller" than today, but he intended to fight to keep it together as far as possible. However, he accepts that some form of privatisation is inevitable because the government can no longer afford the financial burden of running "the best railway system in the world", ranked as such by the World Competitiveness report of the International Institute for Management Development.

Internationally, the SBB's near monopoly on goods traffic will come under stiff competition as a result of the move to unrestricted network access. Two thirds of its goods tonnage and half its receipts already come from cross-border traffic and the proportion is set to increase substantially, because the Swiss passed a referendum in 1994 requiring trans-Alpine goods traffic to be transferred to rail by the year 2004.

The SBB is in a difficult position, as the majority of the shippers which use its network are located in countries outside Switzerland. Mr Weibel believes there is no future for a stand-alone national freight business. European freight transport is increasingly dominated by international companies and the SBB will need to form more alliances similar to last week's new joint venture between the SBB and Ferrovie dello Stato, the Italian state railway, which will handle freight transport between the two countries.

The pressures have also started to reawaken long-dormant union militancy. Mr Ernst Leuenberger, a Swiss MP and president of the Swiss railway and traffic workers' union, recalled that 1997 was not only the 150th anniversary of the first Swiss railway but also the 100th anniversary of the strike on the Northeast railway which helped precipitate railway nationalisation.

# EU firm on beef safety rules

By Neil Buckley in Brussels

The European Union is ruling out rapid action to amend new meat safety rules which could threaten billions of dollars of exports from non-EU countries to Europe unless those countries adopt similar rules.

The European Commission, the EU executive, insists the rules will not be changed before a meeting of EU scientific experts on September 8, in spite of intense pressure from the US.

The four-week delay is a blow to the pharmaceuticals and cosmetics industries, which say the rules could leave them with shortages of tallow, or animal fat, whose derivatives are a critical ingredient in products from pills to lipsticks.

The rules, adopted by Brussels on July 30 to come into force in January, are part of the EU's effort to control "mad cow" disease (bovine spongiform encephalopathy).

They ban materials most at risk of carrying BSE – mainly cattle and sheep brains and spinal cords – from use for any purpose, including manufacturing gelatine or tallow.

But industrial users of tallow derivatives are already buying supplies for use in products to be marketed next year, after the rules come into force, and tallow made without the materials banned by Brussels is not yet available.

The US, meanwhile, is angry that $100m of tallow exports – and potentially billions more of products containing tallow derivatives - could be blocked unless it brings its slaughterhouse rules in line with Europe's, or introduces certificates stating products were made without the banned materials.

Claiming to be BSE-free, the US says the measures are unscientific and would impose unjustified costs on its meat industry, against World Trade Organisation rules.

Brussels counters that consumers must be protected from even the slightest BSE risk, and that the measures require limited changes to slaughterhouse practices. It says industry was given adequate warning.

The EU's multi-disciplinary scientific committee will consider on September 8 a demand for US tallow producers to be exempted from the rules.

It will also consider demands from several non-EU countries, including the US, Canada and Australia, to be declared free of the family of diseases including BSE and scrapie in sheep. That could lead to exemption from the EU exemptions.

But EU officials have warned privately that the standards required for being declared free of the diseases are so high that few countries will meet them.

The US has indicated it will complain to the WTO – and may take other retaliatory action – unless the issue is resolved swiftly.

# US envoy hints at force over Karadzic

By Bruce Clark in Washington

The western nations with troops in Bosnia face some hard military choices, following a US diplomatic mission at the weekend which made clear the difficulty of getting suspected war criminals to trial by any means except force.

Mr Richard Holbrooke, the architect of the Dayton peace plan, won a promise from a leading Bosnian Serb politician that Mr Radovan Karadzic, the power-broker who heads the list of suspects, would be banished from political life.

But Mr Holbrooke described the promise as inadequate, and hinted strongly that the option of using force to capture Mr Karadzic and send him for trial at the Hague still existed.

"Are we satisfied? Of course not. There has been no change in the American position – indicted war criminals must be brought to justice," said the US envoy after meeting Mr Momcilo Krajisnik, the Serb representative in Bosnia's collective presidency.

Last week's US diplomacy also led to some reinforcement of the position of Mrs Biljana Plavsic, the Bosnian Serb politician to whom western nations are lending tactical support in the Serb community's internal power struggle.

Serb-controlled towns which are co-operating with her policy and making some effort to implement the Dayton peace deal will receive credits of $10m.

In another change of policy, it was announced that the US-led peacekeeping force would take a tougher line with the local paramilitary forces that have been obstructing efforts to resettle refugees.

But US and west Europeans will still require steely nerves if they are to carry out their implied threat of using force to arrest Mr Karadzic and possibly other wanted Serb figures, such as General Ratko Mladic, the former Bosnian Serb military commander. For one thing, Mr Karadzic is guarded by more than 1,000 of the paramilitary forces which were the subject of last week's warning. For another, a western commando operation would almost certainly cause a backlash among the entire Serb community and undermine Mrs Plavsic.

The arrest of one war crimes suspect and the killing of another by British troops in Prijedor last month has already triggered a campaign of harassment and minor attacks against Nato-led forces.

Any operation to capture Mr Karadzic would require the co-operation of France, which patrols the sector of Bosnia where he is holed up. It might also require the tacit approval of Yugoslavia's President Slobodan Milosevic, who is often suspected of fearing a Karadzic trial in case details of his own complicity in the 1992-95 Bosnian conflict were brought to light.

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# Eta exiles handed over to Spain

## Madrid closes channel of communication with Basques

By David White in Madrid

The Spanish government has wound up its main channel of communication with the Basque terrorist organisation Eta by persuading the Dominican Republic to hand over members of an Eta negotiating team to face trial.

Mr Eugenio Etxebeste, known as Antxon, a former number two in the organisation, was flown back to Spain by air force jet on Saturday with two other Eta exiles and taken into custody.

His presence under surveillance in the Dominican Republic had provided a channel for contact with the clandestine Eta leadership based in France.

The move was seen as a demonstration of Madrid's tough line towards Basque extremists after the public outcry last month over the murder of a local conservative councillor, Miguel Angel Blanco. The government has ruled out negotiations and sought to isolate Eta's political supporters.

Mr Etxebeste, who represented Eta in the last talks with Spanish officials in Algeria in the late 1980s, was regarded as the most approachable partner in the event of a new peace initiative. In the absence of a single charismatic political figurehead, he has been one of the few "historical" figures to carry weight in the separatist organisation. But in recent years his influence with Eta's current hardline leaders has been called into question.

Mr Jaime Mayor Oreja, interior minister, said the hopes placed on contacts through Mr Etxebeste had proved "completely useless and sterile". He denied that bringing him back to face Spanish justice implied a "hardening" of the government's policy.

But a spokesman for the moderate Basque Nationalist party described the move as "a symptom of inflexibility".

Mr Etxebeste and the other two men were sent to the Dominican Republic after the collapse of peace talks in 1989. The cost of keeping them there has since been borne by the Spanish authorities. The decision to hand them back to Spain was the result of pressure over the past year, including personal requests from Mr José Maria Aznar, the Spanish prime minister, to Mr Leonel Fernández, the Dominican president.

Mr Mayor Oreja said the expulsions put an end to "an anomalous and exceptional situation". Two other Eta deportees remain in the Dominican Republic.

The move sparked a renewed flare-up of violent incidents in the Basque region, including the burning of cars. Earlier, a bomb exploded at a police barracks near the Spanish-French border and another was defused on a railway line in eastern Spain.

INTERNATIONAL NEWS DIGEST

# Cyprus talks to begin today

The leaders of the Greek and Turkish communities on Cyprus start a second round of direct talks today in Montreux, Switzerland, on reuniting the island as a bi-zonal federation. After last month's UN-sponsored meetings in New York, Mr Glafkos Clerides, the Cyprus president, and Mr Rauf Denktash, the Turkish-Cypriot leader, will discuss a draft agreement that would give autonomy to the Greek and Turkish zones but would ban annexation by their respective motherlands.

UN officials hope the two leaders will this week make a formal commitment to a settlement that would end partition of the island following a Greek coup and Turkish invasion in 1974. This would lead to intensive negotiations next year, when the EU is due to start accession talks with Cyprus.

Mr Clerides has tried to play down the significance of last week's agreement between Turkey and the Turkish-Cypriot government to integrate economic and defence policies more closely. But Greece protested that the accord undermined last month's joint declaration in Madrid by Mr Costas Simitis, Greek premier, and Mr Suleyman Demirel, Turkish president, to improve bilateral relations. *Kerin Hope, Athens*

■ SPANISH ECONOMY

## Growth accelerates further

Spain's economy continued to strengthen in the second quarter with growth of around 3 per cent from the same period last year, according to the latest economic report by the Bank of Spain.

The estimated growth rate, up from 2.9 per cent in the previous quarter and 2.6 per cent in the last three months of 1996, meets the initial target set by the centre-right government for the whole of this year. This target, which most experts regarded at first to be optimistic, is now widely expected to be exceeded. The government hopes growth will accelerate further to 3.5 per cent next year.

The independent central bank said growth was now coming mainly from the domestic economy, with a pick-up in consumer demand, while exports remained dynamic, gaining an extra competitive edge from the high rate of the US dollar. Households and companies were both showing increased confidence. *David White, Madrid*

■ CURRENCY MOVE

## China clings to gold reserves

China has vowed not to sell down its gold reserves, saying substantial holdings are required to preserve a stable currency. "China is a developing country, so it must keep a stable gold reserve for emergency use," said an official of the People's Bank of China (central bank).

China is anxious to avoid the currency instability which has plagued other Asian countries recently and has made stability of the Chinese yuan a priority.

The official China Daily Business Weekly quoted the PBOC as saying China would not follow Europe and Australia by dumping gold.

China's gold reserves stand at 394 tonnes. Foreign debt is about $110bn, with principal and interest payments peaking at about $20bn over the next several years.

China is a large gold producer with production expected to rise by about 10 per cent this year to 130 tonnes; but demand exceeds supply. *Tony Walker, Beijing*

■ VIETNAM FORECAST

## Trade deficit to fall

Vietnam yesterday estimated that its trade deficit would fall to $3.3bn by the end of this year from a record $4bn in 1996.

Hanoi rarely makes forecasts so far in advance but the announcement by the official Vietnam News Agency reflects concern that Vietnam needs to be seen to be tackling the country's most pressing economic problem more aggressively.

Exports were forecast to climb 28 per cent to $9.2bn, with imports growing 14 per cent to $12.7bn.

The report said the government would focus on boosting exports of key exports such as rice, coffee and seafood, but did not address how its forecasts could be affected by fluctuations in global commodity prices.

Vietnam cut its trade gap by 37 per cent in the first seven months of this year compared to the same period last year. That was achieved by a combination of sweeping import bans and a modest rise in exports, particularly of textiles. *Jeremy Grant, Hanoi*

■ IRAN APPOINTMENT

## Job for Islamic radical

Iran's new president, moderate cleric Mohammad Khatami, named a leading Islamic radical and key ally yesterday to head the presidential office, the official IRNA news agency reported.

Mr Mohammad-Ali Abtahi worked as director for international affairs when Mr Khatami headed the culture ministry from 1982 and 1992. Before that he was in charge of programming for Iranians abroad at state radio. He supports Mr Khatami's call for social and economic reforms.

Mr Abtahi, who is close to the family of the late Iranian leader Ayatollah Khomeini, has been responsible since 1992 for issuing invitations to foreign dignitaries to attend the annual ceremonies marking the 1989 death of the founder of the Islamic republic. Like Mr Khatami, he is a member of the Association of Religious Combatants, a leading Islamic radical group. *AFP, Tehran*

■ VISIT TO TOKYO

## Thais seek $10bn credit

Mr Thanong Bidaya, the Thai finance minister, left for Tokyo yesterday, saying he needed at least $10bn in standby credit from the IMF and other lenders to ease the country's financial crisis.

A finance ministry official said the International Monetary Fund board was likely to consider the Thai package on August 21 after discussions among donor countries and institutions at a conference today in Tokyo.

Thailand is seeking both technical and financial support from the IMF to rescue the country from its worst economic crisis. *Reuter, Bangkok*

■ SAUDI HEARING

## British nurses' trial adjourned

The trial of two British nurses accused of murdering an Australian colleague was adjourned yesterday so the judge could consider new evidence, their lawyers said.

The judge ended the hearing after defence lawyers presented evidence on the mental competence of the victim's mother, a decision that could affect any sentence the two women receive.

Ms Deborah Parry and Ms Lucille McLauchlan are on trial for the murder of 55-year-old Yvonne Gilford.

Under Saudi Arabia's Islamic law, the two women can be beheaded if convicted of the murder, but only if the victim's closest relatives are unanimous in calling for capital punishment.

Mrs Muriel Gilford, the 84-year-old mother of the murdered nurse, has Alzheimer's disease, and the victim's brother, Mr Frank Gilford, has called for the death penalty on her behalf as well as his own on the grounds that he has power of attorney. *AP, Khobar, Saudi Arabia*

# Stand-off continues as Ross visits Mideast

By Avi Machlis in Jerusalem

Israel and the Palestinians continued to trade accusations yesterday, even as Mr Dennis Ross, the US Middle East peace envoy, began shuttling between their leaders in an attempt to build confidence and restart peace talks.

As the US mission began, pro-Iranian Hizbollah guerrillas killed an Israeli soldier in south Lebanon, in a further escalation of hostilities in Israel's self-declared security zone.

Mr David Bar-Illan, chief spokesman for Mr Benjamin Netanyahu, Israel's prime minister, said the sole purpose of the US mission was "to persuade the Palestinian Authority that it must fight terrorism".

After meeting Mr Netanyahu, the US envoy said he would focus on restoring security co-operation between the two sides, which has been severed since two suicide bombers killed 13 Israelis in Jerusalem 12 days ago.

But Mr Ross also said there was "a political dimension that has to be addressed," – a subtle reference to Israeli settlement activities in occupied areas of the West Bank and East Jerusalem.

Palestinians say that Israel's settlement policies are at the root of the current crisis.

Mr Yassir Abd Rabbo, Palestinian information minister, said that if security was the only issue on the agenda "we are not going to discuss anything at all".

Mr Martin Kramer, professor of Middle Eastern studies at Tel Aviv University, said any concessions Mr Ross might secure would most likely not be announced until Mrs Madeleine Albright, US secretary of state, arrived in the region later this month. Mrs Albright has said she would visit the region if Mr Ross made progress in his mission.

In spite of Mr Ross's best efforts, the hostilities continued yesterday with Mr Netanyahu and Mr Yassir Arafat, the president of the Palestinian Authority, both focusing on the identity of the Jerusalem bombers.

Mr Netanyahu said Israel had a "growing indication" that Hamas was behind the attack, referring to the militant Palestinian Islamist group which has carried out suicide bombings in the past in an attempt to torpedo peacemaking.

But at the weekend, Mr Arafat said senior Israeli officers told him Hizbollah had probably sent the bombers from abroad.

Hizbollah rejected Mr Arafat's "false accusation" in a statement.

Israel yesterday lifted an internal closure of three more West Bank towns, allowing Palestinians from a total of five towns to travel within the West Bank, but not to enter Israel where thousands are employed.

Meanwhile, a committee monitoring a ceasefire between Israel and Hizbollah convened to discuss Lebanese and Israeli complaints of violations of the truce.

The committee includes representatives from Israel, Lebanon, France, Syria and the US.

Fifteen people have been killed in recent fighting in and around Israel's self-declared "security zone" in southern Lebanon, including six Hizbollah members and seven Lebanese civilians.

# Cabinet set to approve deficit-cutting budget

By Avi Machlis in Jerusalem

The Israeli cabinet is today expected to approve budget proposals for 1998, aimed at reducing the budget deficit from 2.8 per cent of gross domestic product as targeted this year to 2.4 per cent of GDP next year.

Mr Ya'acov Ne'eman, newly appointed finance minister, said he hoped the government would today approve the budget proposals along with a plan to revive economic growth. Mr Benjamin Netanyahu, prime minister, is backing the cuts and budget reforms. If approved today, the budget will be presented for its first of three readings in the Knesset [parliament] on October 24.

Economists said winning approval of the 1998 budget was the first big test facing Mr Ne'eman since his appointment last month. Mr Ne'eman was an external appointment with no formal political affiliation, in contrast to most Israeli ministers who are also elected MPs. It remains to be seen whether his lack of political backing will be a boon or a burden as he attempts to push the budget through.

The 1998 proposed budget of Shk164.4bn ($46.5bn) includes a cut of Shk2.3bn. Israel's 1997 budget was cut by Shk7.2bn. A further cut of Shk600m for 1997 to allow the government to reach its deficit target, was withdrawn yesterday by Mr Ne'eman from the Knesset finance committee. Officials said he planned to re-introduce these cuts at a later date.

Analysts say the strongest objection to proposed budget cuts was likely to come from Mr David Levy, the foreign minister. Mr Levy's Gesher party, based on a social-welfare platform, squeezed Mr Netanyahu for costly concessions in return for support in last year's budget cuts.

Finance ministry officials said economic policy for 1998 is aimed at reviving growth after a sluggish 1997. Gross domestic product is expected to grow by 2.5 per cent this year, down from earlier forecasts of 4 per cent. Unemployment has risen from 6.6 per cent one year ago to 7.7 per cent today.

Treasury forecasts put growth in 1998 at 3 to 3.5 per cent. The proposed inflation target for next year is 7 to 10 per cent. Inflation is expected to close in on 10 per cent this year, the government's upper target.

The Treasury added its long term goal is to return the Israeli economy to 5 per cent annual growth. Israel's economy grew at about 6 per cent a year between 1990 and 1995, on a wave of immigration and progress in the peace process.

The government is also set to debate a series of proposals for structural reforms aimed at liberalising the economy and increasing competition in several sectors. The recommendations bear striking resemblance to a similar set of yet to be implemented proposals unveiled seven months ago.

The Histadrut, Israel's powerful trade union federation, has threatened to call a nationwide strike if the government carries out these proposals. Mr Daniel Doron, a leading Israeli economist, said the proposals for structural reform were "a slightly improved version of the earlier package. But because it has not first been sold to the public, they may go unimplemented".

# Push for cut in Japan's corporate tax rate

By Gillian Tett in Tokyo

The Japanese government and senior politicians are pushing to cut the rate of corporate tax next year in an effort to make businesses more competitive, it has emerged.

The Ministry of Finance has proposed reducing the national tax rate from 37.5 per cent towards 35 per cent.

However, the ministry is demanding that the tax cut should be offset by the abolition of a range of other business tax breaks, such as allowances for loan losses and retirement allowances.

The Japanese business federation, the Keidanren, has lobbied repeatedly in recent years for a cut in the country's rate of corporate tax.

Although the national rate of tax is only 37.5 per cent, local taxes are imposed on top of this, taking the total tax burden to almost 50 per cent. This is one of the highest rates in the industrialised world. Consequently, business leaders argue that it severely handicaps Japan's overall levels of competitiveness.

The Keidanren wants the overall tax burden to fall towards 40 per cent. And last week these calls were backed by Mr Taku Yamasaki, a senior member of the Liberal Democratic party, who called for cuts in the corporate tax rate to 35 per cent – and sweeping reductions in local taxes as well.

But though the Japanese government proposed last year that the national corporate tax rate be cut by 1 per cent in exchange for a reduction in tax allowances, the plan was shelved because the Keidanren was strongly opposed to any cut in tax allowances.

In public, the Keidanren is sticking to this stance. Mr Masaya Miyoshi, president of the Keizai Koho centre, a think-tank affiliated to the Keidanren said: "There is still a difference of views between the government and business. We want an overall cut in the tax burden."

However, government officials are increasingly confident that an accord will be reached with the Keidanren. Some business officials have recently indicated they would accept abolition of some tax allowances if the government unveiled faster cuts in corporate tax.

Negotiations will continue over the summer, before the government draws up its tax plans for the next fiscal year in the autumn. If a tax cut is agreed it will be implemented next spring.

The discussion comes at a time when tax issues are becoming increasingly controversial in Japan because the country is under growing pressure to reduce its overall budget deficit.

Many government officials – and business leaders – argue that the best way to do this would be to raise consumption tax again, following the increase from 3 per cent to 5 per cent in April. But although Japan's consumption tax rate remains one of the lowest in the world, any further rise is considered too politically risky to propose at present.

# Hopes of accord dashed at UPS

By Tracy Corrigan in New York

The US labour dispute at United Parcel Service deepened at the weekend, as talks focusing on part-time work and pension arrangements were broken off.

The UPS management said yesterday that it ended talks with the International Brotherhood of Teamsters, which represents almost all UPS employees, on Saturday afternoon when it became apparent no agreement could be reached. This dashed hopes that the week-old stoppage by 185,000 drivers, sorters and loaders, which has brought the business almost to a standstill, could be ended swiftly.

UPS said that "the demands of the union would have made it impossible for UPS to serve its customers and remain competitive". Despite increased competition, particularly from Federal Express, UPS is still the largest parcel delivery business in the US, handling 12m packages a day.

The Teamsters union wants UPS to offer more full-time jobs to its workforce. Of 46,000 jobs created in the last five years, 38,000 have been less well paid part-time jobs. The company said part-time workers earned around $11 an hour and some 60,000 part-time workers earned more than $16,000 a year.

The union also opposes a company proposal to set up a new pension fund. Under management proposals, extra investment income from pension funds would go to the company, according to the union. UPS said its proposal would increase monthly benefits by an average of 50 per cent.

Yesterday, both sides appeared prepared for a long fight.

# US on world mission to win UN reform converts

By Bruce Clark in Washington

Mr Bill Richardson, the US ambassador to the UN, leaves today on a whirlwind global tour that will test his reputation as a versatile extrovert who can win concessions from the most recalcitrant partners.

The politician, whose work as a Democratic congressman included trouble-shooting missions to North Korea, Iraq, Angola and Sudan, will be explaining a UN reform plan which he has negotiated with Congress, and will be looking for other countries to share the tab.

Another aim of his trip – which takes in Tokyo, Beijing, half a dozen former Soviet republics and Paris – is to discuss an historic re-division of global diplomatic labour: the broadening of the UN Security Council to include Japan, Germany and three developing nations.

The visit to Tokyo, in particular, reflects an important but little noticed development: US acknowledgement that Japan is not merely an economic superpower, but a valued partner in humanitarian challenges, from peacekeeping to health to African development.

Mr Richardson will be explaining, not without a trace of embarrassment, a plan imposed by Congress to repay most US debts to the UN over three years, subject to radical reforms in the world body.

Some of the terms attached to this $819m repayment are so tough that the US administration is still trying to water them down.

However, there is one demand on which all US players seem agreed: the need to cut Washington's share of the UN budget (now 25 per cent, or 31 per cent for peacekeeping) by five percentage points.

This marks a clear change from the days of the Reagan administration which rejected proposals for a reduction in US contributions, for fear that Washington's say in UN affairs would be diluted.

One of Mr Richardson's problems is the reluctance of the Republican-led Congress to accept the notion that a cut in US contributions might imply a reduction in US diplomatic clout. As they see things, the US can and should push the balance of power in global diplomacy in just the opposite direction: more US influence, and less US outlay in money and troops.

UN secretary-general Kofi Annan (left), flanked by President Bill Clinton, giving his backing for the US reform plan in January Reuter

Senator Jesse Helms, the arch-conservative who has led denunciations of the UN on Capitol Hill, is already upset that Mr Richardson unveiled his Security Council enlargement plan without consulting him. A hard-won compromise which opened the way for US repayments had not even been passed into law. Final drafts have stalled over House demands for tougher limits on aid that could facilitate abortion.

Senator Helms and his supporters remain so suspicious of international institutions of any kind that Mr Richardson's room for manoeuvre is severely limited.

The US political right views the UN as an unaccountable bureaucracy dominated by developing countries whose representatives use US taxpayers' money to further their own interests and engage in anti-American rhetoric.

As Mr Richardson may find, many other countries have just the opposite image: they deplore America's insistence on dictating terms to the world body when the Europeans and Japanese are having to plug the hole left by unpaid US dues.

But in treading the tightrope between sceptical constituents at home and resentful partners abroad, the ambassador can take comfort from at least one helpful circumstance.

The Helms camp reserves great contempt for the global behaviour of west European states, and their mercantilist relations with US adversaries such as Iran and Cuba. But because the phenomenon is so new, they have yet to formulate a position on Japan's emergence as a player in development issues.

European aid to Africa – seen as a handout to corrupt clients, designed to maintain access to raw materials in former colonies – is another bugbear for the US right, which has steadily trimmed the US aid budget and insisted that US policies in Africa should focus on trade and investment.

But US-Japanese co-operation in Africa and other parts of the developing world may turn out to be more acceptable, if only because nobody has thought much about it.

# Washington uses its muscle on phone call costs

By Bruce Clark in Washington and Mark Nicholson in Delhi

The US administration has brought to the field of telecoms an approach that its Republican critics would like to see across a whole range of global negotiations: it has withdrawn from slow-moving efforts to forge a consensus and announced a policy of its own, which other countries can take or leave.

"To those countries who feared a reduction in the price of telephone calls, I say fear no more – it's guaranteed to happen," said Mr Reed Hundt, the chairman of the US Federal Communications Commission as he unveiled the new policy.

In a move that will cause widespread dismay among countries that rely on revenue from international telephone calls, the FCC will introduce over five years a system of limits on the amount US carriers can pay foreign partners.

Cable and Wireless, the UK-based telecoms group, said the US move "risks undermining the very existence of international telecoms services", and warned it would consider a legal challenge.

It argues that, by taking unilateral action, the US may put telecoms authorities in other countries on the defensive and less likely to compromise.

But US experts are quietly confident their country will get its way in the event of a showdown.

The insistence of many countries on over-charging for international calls is already being undermined by two developments: call-back services and Internet telephony.

To use a call-back service, a customer dials a switching centre overseas and hangs up after a few rings. The centre then calls back and asks the user to dial the desired number – while for billing purposes, the call "originates" in the switching centre.

The technology needed to make voice signals Internet-compatible is still being refined. But several companies in Israel offer this service, and it is being pioneered on the US to Colombia route.

These developments have led telecoms authorities in many countries to conclude that the days of easy profits from international business may be numbered. But they would still prefer a multilateral approach to US strong-arm tactics.

Officials in India, one of the sharpest critic of US policy, said the FCC proposals had come as no surprise. "It's not unexpected, we've already been working on it," said Mr BK Syngal, chairman and managing director of VSNL, the state company which holds a monopoly on India's international telecoms traffic.

India was last year the third biggest recipient of repayments from US carriers after Mexico and China, receiving just over $200m. But Mr Syngal said the Indian operator had already anticipated lower settlement payments in budgeting for the next five years. "We've already factored in a 10 per cent decline in the accounting rate four to five years down the road," he said.

The FCC has promised US consumers an 80 per cent cut in international rates over the next five years, and a recurring annual gain of $3bn.

The chief issue for India, Mr Syngal said, was the rate of cuts in settlement charges rather than the degree.

"We will work out an acceptable formula. But we've got to work out the decline, the slope."

The main US long-distance carriers welcomed the FCC's action. Mr Rick Bailey, vice-president for federal government affairs at AT&T, described the move as an "important and significant milestone" towards the goal of lowering rates paid by US carriers to non-US telephone companies.

"By affirming its earlier proposed benchmark rates, as well as laying out enforcement standards that would help US carriers achieve those lower rates, the commission's action will stimulate competition," he claimed.

*Additional reporting by Nikki Tait in Chicago*

# Anxieties mount for Sharif as Punjab violence flares

## Tit-for-tat killings by rival Sunni and Shia sects present Pakistan's premier with a security challenge. **Farhan Bokhari** reports

The sight of a policemen staring from the back of a machine-gun mounted on top of a police van in the northern city of Lahore momentarily stunned Mr Tariq Saigol as he drove to his office.

For Pakistanis living in the troubled southern port of Karachi, such sights are common. But Mr Saigol, a wealthy industrialist, is among a growing number of Pakistanis elsewhere who have to bear what he describes "as a very painful image" of intimidating security measures.

A security alert across the northern province of Punjab, widely known as Pakistan's heartland, followed a surge in killings of worshippers at mosques belonging to the Shia and Sunni Moslem sects last week. The killings have also triggered fresh anxieties over the political and economic outlook for the six-month-old government of Mr Nawaz Sharif, prime minister, for whom the Punjab is a vital political backyard.

The province, home to almost 60 per cent of Pakistanis, gave the ruling PML (Pakistan Moslem League) its largest number of votes among Pakistan's four provinces in February's elections. Violent tit-for-tat killings, thought to be the work of hardcore militants belonging to the two sects, have so far claimed 173 lives this year. That represents a sharp rise from the tally of previous years.

The daily newspaper Jang, Pakistan's largest circulation Urdu publication, joined a chorus of criticism of the government when it reported a 450 per cent increase in sectarian killings during the past seven years, rising from just 27 in 1990.

The killings are also a personal embarrassment to Mr Sharif, who appointed Mr Shehbaz Sharif, his younger brother, as provincial chief minister earlier this year.

Mr Arif Nizami, editor of The Nation, Lahore's influential English daily newspaper says: "They (militants) are hitting at Nawaz Sharif's soft underbelly, with violence in the Punjab where his brother is the chief minister."

A Lahore resident fights with police after nine people were killed and many injured when gunmen opened fire on worshippers at a mosque AP

There is no single explanation for the sudden rise in violence. Many analysts point towards the continued funding from neighbouring Islamic countries to militant groups in Pakistan.

Ms Nasim Zehra, a prominent political commentator wrote in The News, another English daily newspaper: "Between the Saudis and the Iranians, innocent Pakistanis have been lured into fighting proxy wars."

Some also say the latest killings are a reaction to the arrest of 46 religious militants in the past few months who are under investigation concerning a number of killings in previous years. Others say that growing militancy has been fuelled by the hundreds of young students from Pakistani religious schools, some as young as 12, who have fought alongside the Taliban Islamic militia in neighbouring Afghanistan.

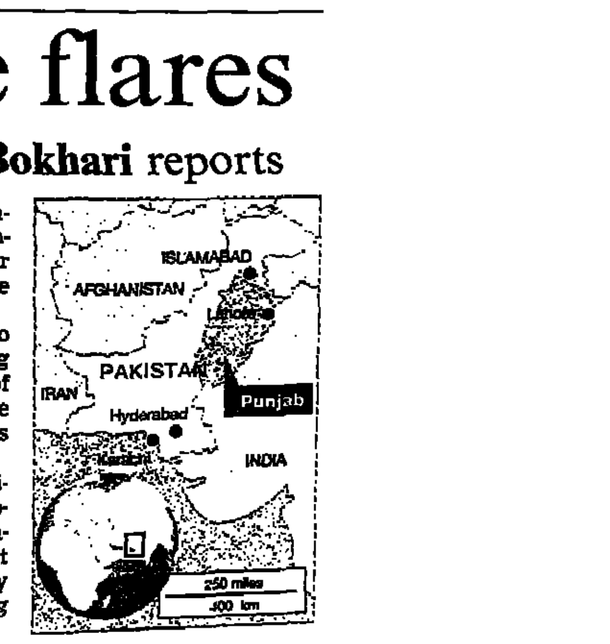
Many have returned home with arms, ready to be drawn in to another holy cause. They are ready targets for recruitment in religious gangs.

The police in Karachi this month began investigations into charges of kidnapping against an Islamic school, which is accused of forcibly sending Maroof Ahmed, 13, to join the Taliban.

The case is understood to have prompted investigations into charges that hundreds of teenagers at similar schools were sent across the border against their will.

Senior bureaucrats also concede that the growing violence is the result of years of official ambivalence over the future of hundreds of such schools.

Although successive Pakistani governments have spoken of ordering investigations into their affairs, most schools have eventually retreated for fear of a strong backlash.




There is, however, one small but immediate consolation for the prime minister.

In the wake of last week's bloodshed, the Tehrik-e-Jafaria (Movement for Enforcement of Shia Law), the main Shia Moslem group, and Sipah-e-Sahaba (Soldiers of the Companions of the Prophet), a Sunni Moslem group, both assured the government of their support to curb the violence. Senior officials say that the assurance could help to isolate the militants from influential clergy.

However, the government still needs to curb the unrest. That is vital for a prime minister who is eager to push through his recent economic reforms.

"How do we get foreign capital to come here," said Mr Saigol.

"The number one problem is to first get peace restored to the streets of Pakistan."

## Central bank study shows distortion creates fivefold difference in economic welfare

# US 'benefits more from inflation cuts'

By Robert Chote, Economics Editor

The benefits of reducing inflation are much smaller in Britain than the US, because inflation creates fewer distortions in the UK tax system, according to a study due to be published by the Bank of England, the UK central bank, this week.

Reducing inflation by 2 percentage points would raise economic welfare permanently in the UK by 0.2 per cent of national income, the study suggests.

This is equivalent to a one-off gain of about 6.5 per cent of a year's national income.

The Bank's study replicates an analysis carried out for the US by Mr Martin Feldstein, president of the National Bureau of Economic Research.

He calculated that reducing inflation by 2 percentage points in the US would increase welfare permanently by 1 per cent of national income – five times the UK figure.

The studies examine various ways in which inflation distorts economic decision-making. Most tax systems take away a given proportion of the cash returns that investors earn, which means that inflation increases the effective tax rate on their real (post-inflation) incomes. By reducing the real post-tax return savers receive, inflation raises the cost of consuming when retired and thus reduces people's welfare.

This distortion is smaller in Britain than the US, in part because capital gains tax has been indexed to take account of inflation in the UK since 1985.

A similar distortion arises because of mortgage interest tax relief, which causes a welfare loss by reducing mortgage costs and encouraging over-investment in housing. Tax relief is levied on cash interest payments, so the welfare loss from the subsidy increases with inflation. But the distortion is less costly than in the US system.

Inflation itself acts like a tax because it forces people to keep more of their wealth than they would like to as interest-bearing savings – rather than easily accessible cash – in order to protect its value. People have to waste time getting money out of the bank more often.

Reducing inflation increases welfare by alleviating each of these distortions. But this also reduces government revenue, creating a financing gap which has to be filled by raising taxes. Reducing inflation also increases the real cost of servicing government debt, which adds to the gap.

The Bank's calculation of the net welfare gain assumes that if lower inflation reduces government revenue by £1 ($1.63), then raising other taxes to make good the shortfall will result in a welfare loss of 40p.

Feldstein assumes that the welfare loss in the US is £1.50 and applying this figure in the UK would mean that reducing inflation by 2 percentage points would cut welfare permanently by 0.34 per cent of national income, rather than increasing it.

# Unions winning war of words

## Skilful PR has secured a good press despite summer disputes

This summer has already seen a flurry of high-profile trade union stories – such as the three-day strike by British Airways cabin crew, which cost the airline £125m, ($203.75m) and the uproar which greeted a plan to employ rail commuters as part-time guards.

Yet any diagnosis of an upsurge in union militancy seems premature. Although the latest figures available show days lost through industrial action nearly quadrupled to 1.33m in the 12 months to May, most of those occurred last year through strikes at Royal Mail, London Underground and the fire service. Acas, the government-funded conciliation service, says such figures are still "incredibly low" in historic terms.

A more important contributory factor has been the improved sophistication of unions' public relations operations.

Sharpening up the unions' communications skills was one unintended consequence of Conservative legislation which required unions to ballot their members over industrial action and the election of officials.

These trends can combine to startling effect. It was a quiet Friday for news last month when Great Eastern Railways announced its plan to recruit commuters to act as guards while travelling by train to their jobs in the City of London.

The rail operator was clearly unprepared for the ensuing media circus, as television crews and reporters descended on London's Liverpool Street station. The company was initially unable to answer questions such as whether these "commuter guards" would wear a full uniform or just a hat. By contrast, Mr Jimmy Knapp, the general secretary of the RMT rail union, was quick to denounce the idea as the most bizarre he had come across in 40 years in the industry.

Although Great Eastern insists it retains the option of employing commuters, the RMT has been assured the company will recruit from the many unemployed people who responded – partly because of unease over the media coverage within the company's top management.

The Great Eastern saga also showed that unions can often respond much more speedily and flexibly to breaking stories. Most union press officers are adept at the politics of their organisation and can speak with authority on behalf of their general secretary.

Union media officers tend to be bright graduates, who often go on to political careers of their own. Mr Phil Woolas, a newly elected Labour member of parliament was until the general election chief media officer for the GMB general union. Mr John Healey left his job as head of campaigns and communications at the Trades Union Congress when he was adopted by Labour before the election.

The advantage of a small operation was illustrated during the recent BA disruption, when Mr Andrew Murray, the TGWU transport union's sole press officer, often gained more sympathetic coverage than the serried ranks at BA's press office. At one key point in the dispute, BA was unable to say whether cabin crew returning from strike would be disciplined – simply because the airline could not contact Mr Robert Ayling, its chief executive, who took a lead role in the dispute. A BA media adviser admitted: "The union ran rings round us."

Yet it would also be wrong to overstate the case. Both the TGWU and TUC were surprised by the amount of media support expressed for BA's cabin crew. The union has also entered talks, having accepted the airline's goal of cuting cabin crew costs by £42m.

Unions have proved increasingly adept at exploiting public opinion. The production of a pig at a British Gas annual meeting helped give the bandwagon against "fat cats" a memorable push. The uproar over Great Eastern's plans could not have happened if there had not already been discontent over the behaviour of several of the privatised successors to British Rail.

However, the flipside is that unions can do little when there is scant public support. Barclays has imposed a new pay and grading structure on more than 30,000 members of Bifu, the banking union. The dispute has attracted little attention – perhaps because members of the Unifi banking union failed to support strike action. A work-to-rule is threatened, but the union is running out of options.

So are there are lessons to be drawn? Perhaps that both management and unions, before embarking on a dispute, must learn to ask: "How will this play in the media?" The answer will often determine the outcome more than the actual merits of either side's case.

Andrew Bolger

Trevor Humphries

Jimmy Knapp announces RMT rail strikes in June 1994

# British staff are 'among best off'

By Andrew Bolger, in London

The average employee has a better standard of living in the UK than in most other European Union countries, according to research published today .

The research by Sedgwick Noble Lowndes, the remuneration consultants, compares average earnings across Europe, taking account of deductions for income tax and contributions to pensions and welfare benefits.

It says that after adjustments for national differences in pricing and purchasing power, the average UK employee receives the equivalent of £6.80 ($11.08) an hour – compared with £6.50 in Germany, £6.30 in France and £5.70 in Sweden.

"For many years, the general impression has been that UK employees enjoy a lower standard of living than in other parts of central and northern Europe," said Mr David Formosa, international research manager at Sedgwick Noble Lowndes. "This is certainly not borne out by the figures.

For the average employee, deductions from gross earnings are 25 per cent in the UK. This rate compares favourably with countries like Germany and Denmark, where deductions of 33 per cent and 38 per cent reduce the higher salaries of their employees to below the UK level. Mr Formosa said the hardening of sterling over the past year had lifted the UK's place in the net earnings pay league.

The UK comes fourth, behind Luxembourg with net hourly earnings of £7.40, Austria on £7.10 and Ireland on £7. Germany is seventh and France is eighth. The average Japanese employee earns a net £8.90 hourly. The US average is £6.90.

## UK NEWS DIGEST

# IRA wing plea to opponents

Sinn Féin, political wing of the Irish Republican Army, yesterday made a strong plea for pro-British unionists, its traditional opponents, to join it at the negotiating table to find agreement on the future of Northern Ireland.

The call came as thousands of republicans rallied in the centre of Belfast, Northern Ireland's principal city, to mark the 26th anniversary of the introduction of internment without trial.

"We make an appeal to those who do not share our views to take the opportunity to open their minds, open their thought processes, to the very idea that we represent," said Mr Caoimhghin O Caolain, the recently elected Sinn Féin member in the republic of Ireland's parliament. Mr Gerry Adams, Sinn Féin party leader, and Mr Martin McGuiness, party strategist, were also at the rally.

Sinn Féin urged Mr David Trimble, the leader of the Ulster Unionist party, to show "real leadership" and take his seat at the talks, when the multi-party dialogue resumes on September 15.

Earlier in the day, Dr Mo Mowlam, principal minister for Northern Ireland, was criticised by unionists for hinting at the possibility of early releases of terrorist prisoners if the IRA ceasefire held.

Mr Peter Robinson, MP, deputy leader of the Democratic Unionist Party, said Ms Mowlam had "bought an IRA ceasefire" and would constantly have to pay the price in concessions to keep it going. Mr Ken Maginnis, Ulster Unionist MP, accused her of "surrendering to IRA blackmail".

The Sinn Féin-organised rally passed off peacefully in carnival atmosphere, in contrast to Saturday's pro-British Apprentice Boys' parade in Londonderry which was marred by loyalist attacks on nationalists and members of the Northern Ireland police force which left a number of people injured. *Liam Halligan, London*

■ UNIVERSITY FEES

## Charges waived for 'gap' students

Prospective students planning to forego their "gap" year – between school and university – before starting their course because of the introduction of tuition fees in 1998 will still go to university for nothing, the government is to announce this week.

After A-level results are published on Thursday, ministers will confirm the waiving of charges for students starting courses next year who are prepared to do at least three months of voluntary work at home or abroad first. A-levels are examinations which determine whether students qualify for a university place.

The move is a one-off government concession designed to ease the expected rush for places on courses starting this autumn, as students try to avoid the introduction of fees. Following last month's publication of the Dearing report into higher education, ministers announced the introduction of means-tested annual tuition fees of at least £1,000 ($1,630) in autumn 1998, ending 50 years of free higher education. *Liam Halligan, London*

■ PAEDOPHILE RULING

## Police can issue offender alert

The government will today announce new powers for the police to warn residents when a convicted paedophile moves into their area.

The measures, which allow the police to disclose information on a "case-by-case basis", were welcomed by both police chiefs and offenders' groups. Under the proposals, to be announced by Mr Alun Michael, home office minister, police will be able to tell school headteachers and youth organisations if there is an offender in their area considered to be a genuine threat to children.

"There are understandable pressures for the general public to be made more aware, and the protection of children and other vulnerable people is paramount," said the Association of Chief Police Officers.

The National Association for the Care and Resettlement of Offenders said: "Present practice varies from one police force to another and national guidelines are important to ensure consistency".

The guidelines are tied to next month's launch of a national sex offenders register, enabling police to track paedophiles around the country. Lord Bingham of Cornhill, Lord Chief Justice, warned that a general policy of official disclosure of information about such offenders could never be justified. *Liam Halligan, London*

■ PREMATURE DEATH RATES

## Inequalities wider, says study

Health inequalities in Britain have widened since the early post-war years with geographical location a stronger influence than ever on premature death rates, a Joseph Rowntree Foundation study concludes today.

The report says it is "extremely unlikely" that Britain will achieve the World Health Organisation target of a 25 per cent reduction in health inequalities by 2000.

Although overall death rates for men and women under 65 have fallen steadily since local records began in 1951, the improvements have not taken place evenly throughout the country. As a result, says the report, there are "large and, in many cases widening, differences in life chances across Britain".

People in parts of Britain with the worst records were now almost twice as likely to die prematurely as those in areas with the lowest mortality rates. *Alan Pike, London*

# Governance report under attack

By William Lewis, Investment Correspondent

The Hampel committee's report on corporate governance published last week has come under fire from some institutional shareholder groups, company secretaries and lawyers amid signs of government confusion about how to respond to its recommendations.

Corporate governance executives from leading fund management groups say they are concerned by several crucial omissions from the Hampel committee's draft report.

In a memo circulated to other executives ahead of the September meeting of the Corporate Governance Forum, Mr Peter Butler, corporate focus director for Hermes – one of the UK's largest fund managers – says Hampel has failed to provide a definition of an independent non-executive director. He says the committee has not listed examples of non- executives who are not independent, but has instead "restated that it is for the board to decide in particular cases where the independence issue is blurred".

Further criticism of the Hampel report has come from company secretaries, responsible for corporate governance at public companies.

In another response to the report, Eversheds, one of the UK's leading law firms, says that its conclusions could lead to intervention by the government.

The government has so far refused to make any detailed response to the Hampel committee's recommendations amid suggestions that Lord Simon and Mr Ian McCartney, two ministers at the Department of Trade and Industry, have clashed over the report.

The Department of Trade and Industry said last week that Lord Simon, minister for competitiveness, retained government responsibility for assessing the report. Lord Simon sat as a member of the Hampel committee until he was appointed to the government.

# Blair to launch millennium initiative

By Raymond Snoddy

Mr Tony Blair, the prime minister, will next month challenge British industry and business to come up with world-beating products, designs and services to mark the millennium and boost Britain's manufacturing reputation overseas.

On September 17, Mr Blair will launch Millennium Products, an initiative by the Design Council to identify innovative products and services.

Mr John Sorrell, the Design Council chairman, who has been working on the plan for more than two years, believes that the UK is more famous for castles, cricket and countryside than for its products.

By comparison with Britain's performance in traditionally creative industries such as music and film Mr Sorrell fears "We don't have a great industrial reputation around the world.

The Millennium Products initiative, which has the support of the Confederation of British Industry the Royal Society of Arts and the British Council will try to improve that reputation.

A Design Council panel of assessors will be set up which will look for "ground-breaking" products and services that will change the way we live in the 21st century.

The panel will announce those selected as Millennium Products – a description that can be part of an international marketing campaign and could make an impact well into the next century.

The international focus on Greenwich during 2000 should help.

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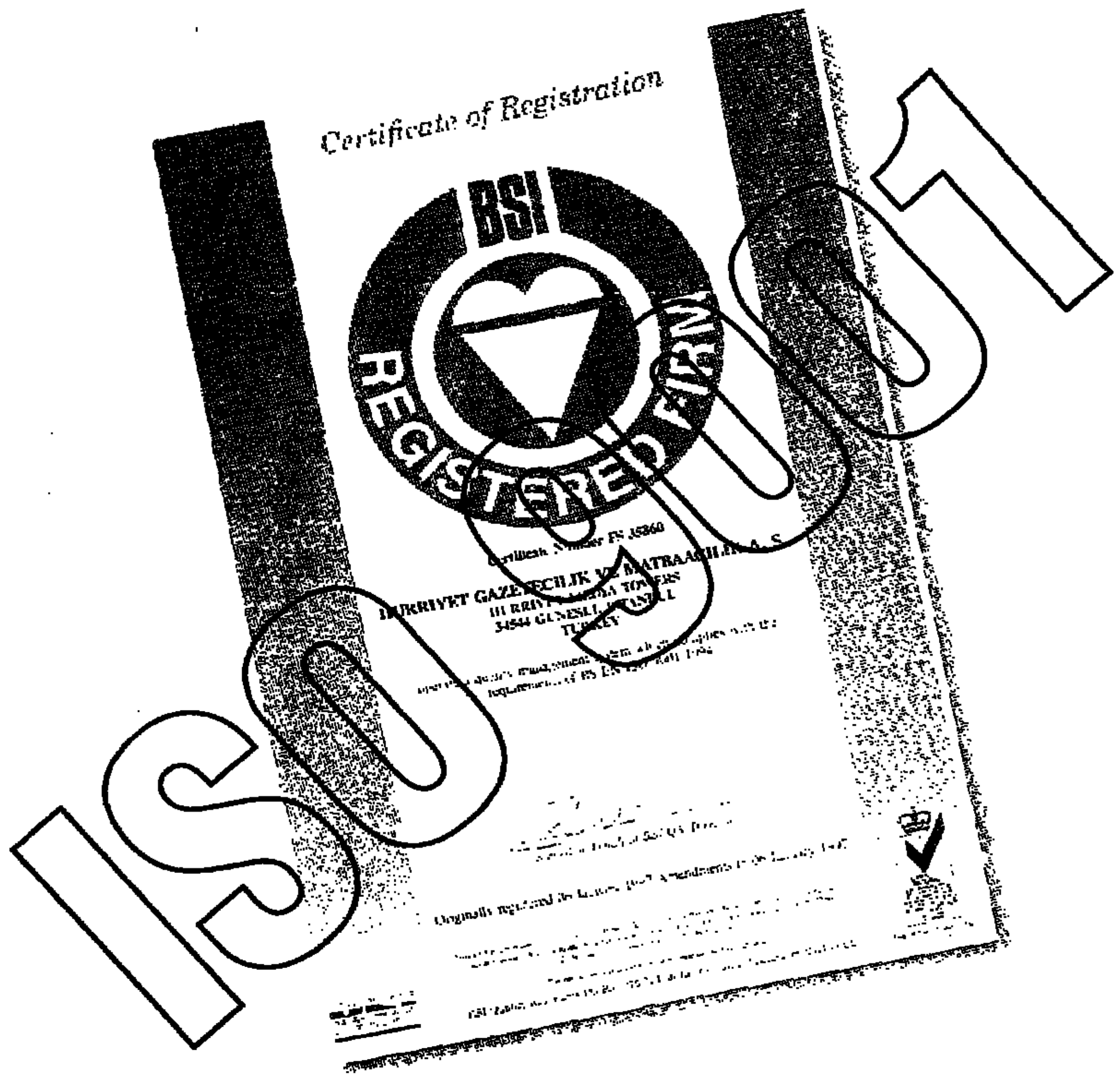


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## THIS WEEK

# Milanese lead the summer exodus

**DATELINE**

**Milan: unlike the rest of Italy, which is bracing itself for tough economic reforms, this city is revelling in the holidays, writes Paul Betts**

The summer curfew has descended on Milan. In *the first weekend of* August alone, more than 350.000 inhabitants fled Italy's business metropolis for the seaside or the Alps. Even more will disappear this week for Ferragosto, the traditional Italian bank holiday on Friday which shuts down the entire country.

Stefano, who runs the bar where I have my morning bun and cappuccino, has bolted to Lampedusa, an island beyond Sicily. The local restaurant under my flat has rolled down its shutters and Bruno the owner has joined his family in Lucca.

*Franco, the barber in* Via Morone who cuts the hair of Enrico Cuccia, the most powerful banker in Italy for the past four decades, has also gone. Even Emilio, the man who owns the garage where I keep my car, has closed for August; and when I need my car I have to ring a certain Renato who has taken the keys of the garage because the porter of the building has also darted off to the beach.

The summer exodus is by no means unique to Milan and Italy. I remember when I lived in France the mass of Parisian families piling into their Renaults for the crowded motorways.

A friend who works for an American multinational in Brussels told me last week it now took him 10 minutes to reach his office instead of the usual hour.

But in Milan, the exodus still assumes a surrealistic scale. As many as 70 per cent of the city's shops have shut for the month – 18,081 out of a total of 25,830, all with little fluorescent stickers on their shutters with the ubiquitous words *"Chiuso per ferie"* ("Closed for the holidays").

Finding a baker or a tobacconist open is tantamount to a treasure hunt. Crossing the road is now easy in a city where the green *"Avanti"* or "Walk" signal is normally a euphemism for "God be with you".

Traditionally, the August migration marked the closure of the big Italian factories of the north. But most of the big factories around Milan have been shut for years through recession and restructurings. *Even in Turin,* seat of the Fiat automotive empire, the shutdown is by no means as extreme with only 50 per cent of the city's shops closed for August this year.

"In the old days we used to say Fiat is closing and the rest of the country follows. But it is no longer the case," explained a Fiat official on his way out of the office to join his family in Ravenna. Of the 30,000 workers of the vast Mirafiori car plant in Turin, about 7,000 have remained on the job this year.

Customs are also changing in Italy. Job insecurity, the government's unpopular fiscal policies, pension and other welfare reforms due to be negotiated in the autumn to help Italy qualify for European monetary union, have all made Italians nervous. *People are taking less holiday.*

Yet Milan still plays the ghost town in August. Granted it has never been a tourist destination. Italian "museum" cities such as Rome, Florence or Venice are filled with tourists in summer. Yet it is still peculiar that Italy's moral capital, as Milan calls itself, should resist the country's changing holiday trends.

"Moral capital, my foot," said a Milanese economic pundit on the phone from his Corsican beach house. "The August exodus is totally immoral. Think about it. Everybody stops work for a month and yet Italians get paid 13 months, in some cases even 14 months salary for a year's work."

For too long, he went on, Italy has lived beyond its means. "Italy's national debt to GDP is 124 per cent. That tells you the *whole story,"* he said, adding in the same breath: "See you in September or why not come up to Cortina where we are spending the second part of our holidays?"

Perhaps the Milanese feel richer than their fellow Italians. The Milan stock market has done well this year and the Milanese do not give the impression of suffering economic hardship.

When in town, they eat out merrily and shop extravagantly. Their standard of living is high. A Milan banker recently told me how surprised he was when he went to London to see an English colleague in a top City job. "He always seems so stretched for money and yet he probably gets paid more than I do. I suppose it's those school fees you have and all those mortgages," he said.

Perhaps the Milanese don't like living in their city. They have a habit of deserting it at weekends and August, in their eyes, is just an extended weekend.

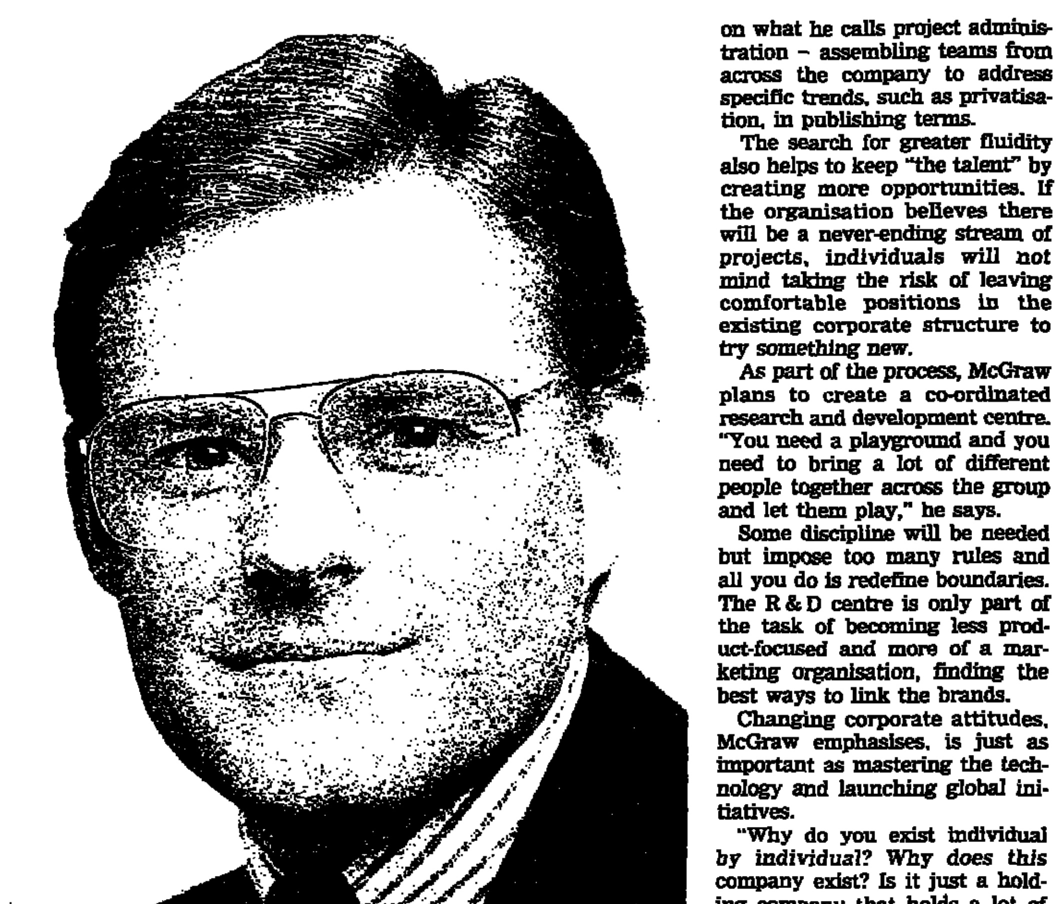
Many old residents will tell you that Milan is probably the best place to work in Italy. People keep appointments and work hard. But they concede it is also an ugly place and, La Scala excluded, culturally pretty dead.

Or perhaps they are simply enjoying one last fling before they return for what promises to be a rough September.

They can take solace that the day of reckoning will probably be delayed. The House of Deputies will only reopen for business on September 16. Some restoration work has to be completed to the building – forcing Italian politicians to take a bit more holiday.

## The Monday Profile: Harold W. McGraw III

# Keen to expand horizons



In a gathering it is difficult to find Harold W. McGraw III, president and chief operating officer of the McGraw Hill companies, the US information group that publishes Business Week. But Terry McGraw is the centre of attention. It takes a *minute to realise they are one* and the same.

The man whose name is on the side of the building had to be called Harold Whittlesey McGraw III after his father and his grandfather who was one of the founder's sons. But that was "too imposing and formidable" a name for anyone to live with permanently so he has always been called Terry.

By the end of this year, McGraw, 49, is expected to step up to the top position at McGraw Hill when Joe Dionne, the chairman and chief executive, retires.

It will mark a milestone in the development of the company and in particular its approach to electronic publishing and the need to move beyond simply providing existing paper products online.

Business Week, for example, already gets about 300,000 "hits" a month for its electronic version. As a result the paper version has been enhanced and a new stream of revenue created. But that, McGraw insists, is just the first stage.

"It [electronic publishing] creates some very new dynamics, people who are looking for a less branded product, more focused content. We have to stop putting labels and boundaries on everything too early. We have to get more comfortable with living in a complex environment where there is a little bit more fluidity," says McGraw.

In practice that means using technology to create more "hot links" between the various McGraw Hill businesses and to make "a much broader representation to all our markets. We cannot be so vertical."

At the moment, for instance, the company serves the currency markets through its MMS business; the oil and energy markets with Platt's; and handles credit rating with Standard & Poor's. The company also has educational publishing and broadcasting interests.

"They are all vertical representations. The big need for us is to move away from specific vertical capabilities to a much broader horizontal understanding of marketing needs," he says.

McGraw hopes electronic commerce will be the key to creating something that is more than the sum of the parts, though he concedes the charging mechanisms have not been fully figured out.

He insists it was not inevitable that he should end up in the family business. He started off outside, working for a cable television trade body in the US before moving to the finance side of GTE Capital for six years.

In 1979 he took leave of absence to help his father, Harold W. McGraw II, man the defences against an unsought takeover attempt by American Express.

"I caught a bug. I saw first hand how much everyone cared. It was a surprise," says McGraw, who takes a robust attitude to the inevitable accusations of nepotism.

"On the professional side everybody is accountable and you have to carry your weight. When you carry the name there is a higher expectation and I place a higher expectation on myself," he says.

Now, apart from taking products worldwide, the emphasis is on what he calls project administration – assembling teams from across the company to address specific trends, such as privatisation, in publishing terms.

The search for greater fluidity also helps to keep "the talent" by creating more opportunities. If the organisation believes there will be a never-ending stream of projects, individuals will not mind taking the risk of leaving comfortable positions in the existing corporate structure to try something new.

As part of the process, McGraw plans to create a co-ordinated research and development centre. "You need a playground and you need to bring a lot of different people together across the group and let them play," he says.

Some discipline will be needed but impose too many rules and all you do is redefine boundaries. The R & D centre is only part of the task of becoming less product-focused and more of a marketing organisation, finding the best ways to link the brands.

Changing corporate attitudes, McGraw emphasises, is just as important as mastering the technology and launching global initiatives.

"Why do you exist individual *by individual? Why does this* company exist? Is it just a holding company that holds a lot of great brands or are you about something alive and well and intellectually curious? Or do you fall into the other column, which is slow death?"

In the midst of such challenges, McGraw Hill at least has the chance of achieving family continuity. Harold W. McGraw IV, who is actually known as Whit, is an economics major at Hamilton College.

Terry McGraw has no idea whether Whit will follow all the other McGraws into the business. "He's got to figure that out for himself and he's pretty darn independent. Then there's 17-year-old Megan McGraw – her independence is on a different level," he says, clearly believing in fluidity at home as well as at work.

**Raymond Snoddy**

## FT GUIDE TO:

## CORPORATE GOVERNANCE

***Last week's report from the UK's Hampel* committee, now coming under fire from various sources, put corporate governance back in the news. What exactly does the term cover?**

In a nutshell, who runs the company. Is it the boss, the board, the shareholders or the workers? Does the chief executive get a huge bonus in good times or bad? If the directors get it wrong, do they get fired? Do shareholders get to vote on policy? Do the workers have a say?

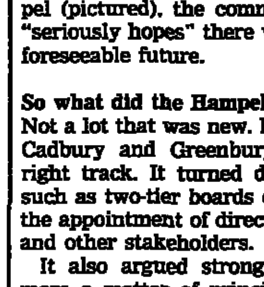
***Surely all that's up to the company's owners?***

You might think so. The reality is that in many of the corporate crashes and scandals of the past decade, the shareholders have been kept in the dark.

It was in response to such scandals that a committee under Sir Adrian Cadbury was set up in 1992. The aim was to improve financial disclosure and to get a better balance of power in the board room better – for instance, by separating the jobs of chairman and chief executive.

**Then there was the Greenbury committee. What was that about?**

Fat cats in the board room. You may recall the fuss a few years ago about pay rises in the privatised utilities. The committee chaired by Sir Richard Greenbury aimed not to stop big pay-outs but to ensure shareholders knew about them. Companies were told to spell out not just the incentives and options on offer to executives, but the targets they had to meet to collect them.



**Now Hampel. Is there *no* end to it?**

Technically, the Hampel *committee was set up to* review the recommendations of Cadbury, and took in Greenbury while it was at it. After last week's preliminary report, the aim is to produce a three-in-one document on governance by the end of the year. Thereafter, Sir Ronnie Hampel (pictured), the committee chairman, says he "seriously hopes" there won't be any more in the foreseeable future.

**So what did the Hampel report actually say?**

Not a lot that was new. Its basic line was that the Cadbury and Greenbury findings were on the right track. It turned down more radical ideas, such as two-tier boards on the German model, or the appointment of directors to represent workers and other stakeholders.

It also argued strongly that governance was more a matter of principles than hard and fast rules. Too many people had interpreted the Cadbury and Greenbury rules narrowly – so-called "box-ticking". It was more important for compa*nies to comply with the spirit* than the letter.

**Isn't that just what you'd expect bosses to say? That the manager has the right to manage, with no interference from outsiders?**

There is a touch of that. Half the committee members came from big corporations, and Sir Ronnie is chairman of ICI. To be fair, the report put it slightly differently. Governance, it said, is about both prosperity and accountability. In recent years people have concentrated on the latter. The balance now needs to be corrected.

**Isn't that a bit complacent? You *said Cadbury* was set up *after the collapses and frauds of the* 1980s. *Companies are very prosperous now,* but what happens in the next recession?**

Good question. As Sir Ronnie concedes, there will be bankruptcies and fraud in the next downturn whatever happens. Other things being equal, the better the governance the fewer the disasters.

**What are other countries doing about all this? Is the UK working in isolation?**

The Hampel committee aimed to produce a purely UK solution. But there is no question that governance is a hot topic internationally. This is mostly because the big investment funds are *going global,* and are *pressing for consistent standards* across the world's main stock markets.

**Presumably the US leads the field?**

Of course. The US has more lawyers than anywhere else, and more aggressive investors. Companies have to disclose more, and pension funds are under government pressure to exercise their votes. Notwithstanding that, America has had *some first class examples of poor governance* – chairmen who ran the company from the golf course or charged the company for undisclosed benefits.

**What about the Europeans?**

The French came out with their version of Cadbury, the Vienot report, two years ago. According to Mr Vienot himself, it was less tough than Cadbury. Even so, it appears to be making slow headway. The Dutch Corporate Governance Commission produced a yet more timid report a year ago. The Germans are thinking about it but have come up with nothing concrete.

**So this one will run and run?**

Absolutely. There will always be more scandals and collapses. There will also be continuing pressure from the big investment funds, the Americans particularly. Besides, corporate governance is like the rules on tax or accounting. Every time you produce a new standard, the challenge for certain kinds of company is to find a way round them.

**Tony Jackson**

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Prices for Trading on 10.08.97 / Final Prices for Trading on 13.07.97

| ½ hour period ending | Pool purchase price £/MWh | Pool purchase price £/MWh | Pool selling price £/MWh | TS use of system price £/MWh |
|---|---|---|---|---|
| 0030 | 11.72 | 11.87 | 12.10 | 1.06 |
| 0100 | 14.12 | 8.20 | 8.43 | 1.06 |
| 0130 | 11.72 | 8.04 | 8.27 | 1.06 |
| 0200 | 11.72 | 8.04 | 8.27 | 1.06 |
| 0230 | 11.72 | 8.04 | 8.27 | 1.06 |
| 0300 | 11.72 | 8.04 | 8.27 | 1.06 |
| 0330 | 11.72 | 8.04 | 8.27 | 1.06 |
| 0400 | 11.72 | 8.04 | 8.27 | 1.06 |
| 0430 | 11.72 | 8.04 | 8.27 | 1.06 |
| 0500 | 11.72 | 8.03 | 8.26 | 1.06 |
| 0530 | 11.32 | 8.20 | 8.20 | 0.00 |
| 0600 | 11.92 | 8.20 | 8.20 | 0.00 |
| 0630 | 11.65 | 9.90 | 9.90 | 0.00 |
| 0700 | 11.65 | 9.90 | 9.90 | 0.00 |
| 0730 | 11.65 | 9.20 | 9.20 | 0.00 |
| 0800 | 14.58 | 9.90 | 9.90 | 0.00 |
| 0830 | 14.15 | 9.90 | 10.13 | 1.06 |
| 0900 | 14.58 | 12.15 | 12.38 | 1.06 |
| 0930 | 15.15 | 15.46 | 15.69 | 1.06 |
| 1000 | 15.15 | 15.53 | 15.76 | 1.06 |
| 1030 | 16.48 | 15.87 | 16.10 | 1.06 |
| 1100 | 17.76 | 16.43 | 16.65 | 1.06 |
| 1130 | 22.92 | 17.71 | 17.94 | 1.06 |
| 1200 | 23.70 | 25.09 | 25.32 | 1.06 |
| 1230 | 23.70 | 25.09 | 25.32 | 1.06 |
| 1300 | 23.70 | 20.67 | 20.89 | 1.06 |
| 1330 | 17.76 | 15.46 | 15.69 | 1.06 |
| 1400 | 15.24 | 15.23 | 15.46 | 1.06 |
| 1430 | 15.24 | 15.23 | 15.46 | 1.06 |
| 1500 | 14.58 | 15.23 | 15.46 | 1.06 |
| 1530 | 14.15 | 14.08 | 14.31 | 1.06 |
| 1600 | 10.27 | 14.08 | 14.31 | 1.06 |
| 1630 | 14.15 | 14.08 | 14.31 | 1.06 |
| 1700 | 14.58 | 15.23 | 15.46 | 1.06 |
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| 1800 | 14.58 | 15.23 | 15.46 | 1.06 |
| 1830 | 14.58 | 15.23 | 15.46 | 1.06 |
| 1900 | 14.58 | 15.23 | 15.46 | 1.06 |
| 1930 | 14.15 | 15.23 | 15.46 | 1.06 |
| 2000 | 14.15 | 15.23 | 15.46 | 1.06 |
| 2030 | 14.58 | 14.08 | 14.31 | 1.06 |
| 2100 | 17.78 | 10.13 | 10.13 | 0.00 |
| 2130 | 22.92 | 14.08 | 14.31 | 1.06 |
| 2200 | 25.38 | 15.23 | 15.46 | 1.06 |
| 2230 | 25.38 | 18.02 | 18.25 | 1.06 |
| 2300 | 18.85 | 18.02 | 18.25 | 1.06 |
| 2330 | 17.30 | 18.02 | 18.25 | 1.06 |
| 2400 | 16.69 | 9.90 | 10.13 | 1.06 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.87 MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
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| 0230 | 13.58 | 9.90 | 10.03 | 1.27 |
| 0300 | 13.56 | 9.90 | 10.03 | 1.27 |
| 0330 | 13.58 | 9.90 | 10.03 | 1.27 |
| 0400 | 13.56 | 9.90 | 10.03 | 1.27 |
| 0430 | 13.58 | 9.90 | 10.03 | 1.27 |
| 0500 | 10.27 | 9.90 | 10.03 | 1.27 |
| 0530 | 10.92 | 8.03 | 8.03 | 0.00 |
| 0600 | 10.26 | 8.03 | 8.03 | 0.00 |
| 0630 | 10.53 | 9.20 | 9.20 | 0.00 |
| 0700 | 10.82 | 10.13 | 10.13 | 0.00 |
| 0730 | 13.97 | 10.17 | 10.17 | 0.00 |
| 0800 | 16.28 | 20.29 | 20.42 | 1.27 |
| 0830 | 16.75 | 17.75 | 17.88 | 1.27 |
| 0900 | 16.31 | 20.33 | 20.48 | 1.27 |
| 0930 | 18.61 | 20.38 | 20.54 | 1.27 |
| 1000 | 18.84 | 20.43 | 20.61 | 1.27 |
| 1030 | 18.87 | 20.47 | 20.66 | 1.27 |
| 1100 | 18.92 | 20.51 | 20.71 | 1.27 |
| 1130 | 20.77 | 20.56 | 20.78 | 1.27 |
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| 1230 | 26.10 | 25.64 | 25.86 | 1.27 |
| 1300 | 20.81 | 20.47 | 20.66 | 1.27 |
| 1330 | 18.82 | 20.37 | 20.53 | 1.27 |
| 1400 | 18.86 | 18.25 | 18.40 | 1.27 |
| 1430 | 18.83 | 18.24 | 18.38 | 1.27 |
| 1500 | 18.81 | 18.08 | 18.22 | 1.27 |
| 1530 | 18.81 | 18.09 | 18.23 | 1.27 |
| 1600 | 18.82 | 17.81 | 17.97 | 1.27 |
| 1630 | 18.84 | 22.60 | 22.78 | 1.27 |
| 1700 | 18.83 | 18.34 | 18.52 | 1.27 |
| 1730 | 18.01 | 27.34 | 27.50 | 1.27 |
| 1800 | 18.77 | 27.28 | 27.43 | 1.27 |
| 1830 | 17.96 | 18.05 | 18.18 | 1.27 |
| 1900 | 16.75 | 22.48 | 22.61 | 1.27 |
| 1930 | 16.75 | 17.61 | 17.74 | 1.27 |
| 2000 | 10.83 | 17.21 | 17.34 | 1.27 |
| 2030 | 10.82 | 13.03 | 13.03 | 0.00 |
| 2100 | 22.40 | 10.16 | 10.16 | 0.00 |
| 2130 | 28.52 | 10.17 | 10.17 | 0.00 |
| 2200 | 26.69 | 17.61 | 17.74 | 1.27 |
| 2230 | 22.40 | 24.89 | 25.02 | 1.27 |
| 2300 | 17.08 | 24.89 | 25.02 | 1.27 |
| 2330 | 15.70 | 17.61 | 17.74 | 1.27 |
| 2400 | 16.28 | 16.35 | 16.48 | 1.27 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86 MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
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## Robert Chote · Economics Notebook

# Brown holds the key to work

### Wage subsidies for the unemployed must be carefully handled to succeed

Taxing people in jobs to provide incomes for people without them encourages the very unemployment problem it is supposed to mitigate. Hence the attraction of replacing cash payments for the unemployed with wage subsidies that might persuade employers to give them work.

Gordon Brown, UK chancellor, has made wage subsidies the central plank of his "welfare-to-work" initiative. He has staked a good deal of political capital – not to mention hundreds of millions of pounds of tax revenue – on their success.

Several industrial countries have implemented wage subsidy schemes over the past 20 years. In some cases they have been modestly beneficial, while in others they have proved to be a colossal waste of money. As the International Monetary Fund noted nervously in its annual health-check on the UK economy, the proposals will need "skilful implementation".

The welfare-to-work initiative involves two subsidy schemes. Employers taking on people under 25 who have been unemployed for six months or more will be offered £60 a week, while those taking *on anyone without* work for two years will be offered £75 a week. The subsidies will be available for six months.

Targeted wage subsidy schemes normally have two objectives. The first is to reduce aggregate unemployment. The second is to reduce unemploy*ment within the* target group, even if this is at the expense of others. The latter is more likely to be achieved than the former, although this may still leave the economy as a whole better off.

Mr Brown's scheme is a glorified version of the existing "Workstart" programme. This offers a £60-a-week subsidy to an employer taking on a long-term unemployed person, with benefit payments cut for anyone refusing a reasonable job offer.

In the areas where Workstart has been piloted, the number of people claiming unemployment benefits has fallen more sharply than in comparable areas outside the scheme. But employment has risen less quickly than expected. This suggests some people have dropped out of the labour force or left the area because they wish neither to work nor to lose benefit. Under a national scheme, however, they will have nowhere to run.

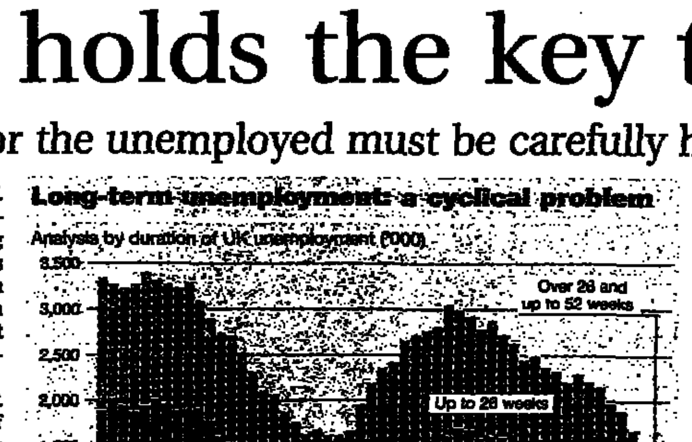
The impact of subsidies on aggregate employment is undermined by two factors. "Deadweight losses" arise when people take jobs with a subsidy who would have taken them without it. "Substitution effects" occur when employers sack people who do not get a subsidy to replace them with people who do.

"Most evaluations show that subsidies to employment have *large deadweight and displace*ment effects and hence small net employment gains, particularly in the short term when aggregate demand and vacancies are fixed," argues Robert Fay, of the Organisation for Economic Co-operation and Development. Australia, Belgium, Ireland and the Netherlands have seen combined deadweight and substitution effects of 90 per cent.

If Mr Brown's "New Deal" does create net new jobs, they may also be masked by the economic cycle. The Bank of England is slowing the economy to restrain inflation. Eventually, this will imply rising headline unemployment and falling vacancies. This – as the graphic shows – will not take long to put upward pressure on long-term unemployment too.

**Long-term unemployment: a cyclical problem**

Analysis by duration of UK unemployment ('000)




Source: ONS, Datastream/ICV

This does not mean that action to tackle long-term unemployment is a waste of time. Quite the opposite. But the government should make it clear that it *does not regard aggregate job*lessness as the main benchmark of the subsidy scheme's success.

Deadweight losses are a waste of resources, but substitution effects at least have a silver lining. As people spend longer without work, their skills erode, they become demotivated and employers tend to shun them. Reducing long-term unemployment – even at the expense of the short-term unemployed and people in work – keeps more people competing for jobs and restrains wage inflation. This should allow the economy to sustain higher growth and lower unemployment.

The substitution effect may also mitigate any net job losses arising from the introduction of Labour's proposed minimum wage, but only at the expense of existing low-paid employees.

Imagine an employer has a job only worth paying someone £1.50 an hour to do and a *minimum* wage of £3.50 is introduced. The *existing worker will be fired,* but it would be worthwhile for the employer to replace them with a long-term unemployed person for a subsidy of £2 an hour.

These arguments all assume that wage subsidies encourage employers to take on the people who are entitled to them. But *experience under some US* schemes suggests that entitlement to a subsidy carries a stigma of unemployability which puts potential employers off.

As Lawrence Katz, the Harvard economist, once said of a subsidy scheme for mothers on welfare in the US: "To the employer it comes across as: 'Hi, I'm a lemon – give me a job!'"

For the young people in the UK scheme, this danger will be ameliorated by government-financed training and by the "gateway" process which will separate those likely to benefit from subsidy from others who may be allocated to, say, an environmental taskforce. Stigma could also be avoided by paying *the subsidy to the individual* rather than the employer, which has the same economic effect.

Canada's "Targeted Wage Subsidy" scheme tackles the stigma and substitution problems by devolving subsidy budgets to organisations that maintain long-term relationships with local employers. They can negotiate the amount and duration of the subsidy available for each hire, while employers can be confident that they will not be saddled with "lemons".

"A partial subsidy, locally delivered and with the flexibility to negotiate terms, works much better than a uniform national *subsidy that is almost an entitle*ment," argues Tom Vegh, executive director at the Parachute Community Employment Centre in downtown Toronto.

Experience suggests that wage subsidies are by no means a miracle cure for unemployment. But they can protect people from *being locked out of the* labour market. Given careful design and flexible implementation, Mr Brown is on to a good thing.

*e-mail: robert.chote@ft.com*

ONLINE RETAILING

# Sony sounds discordant note

## The company's decision to sell records direct to the public over the internet may throw the music industry into turmoil, warns Alice Rawsthorn

Anyone checking into Sony Music's US internet site hoping to find information about Oasis or Frank Sinatra, could be forgiven for thinking that they have stumbled into an online record store by mistake.

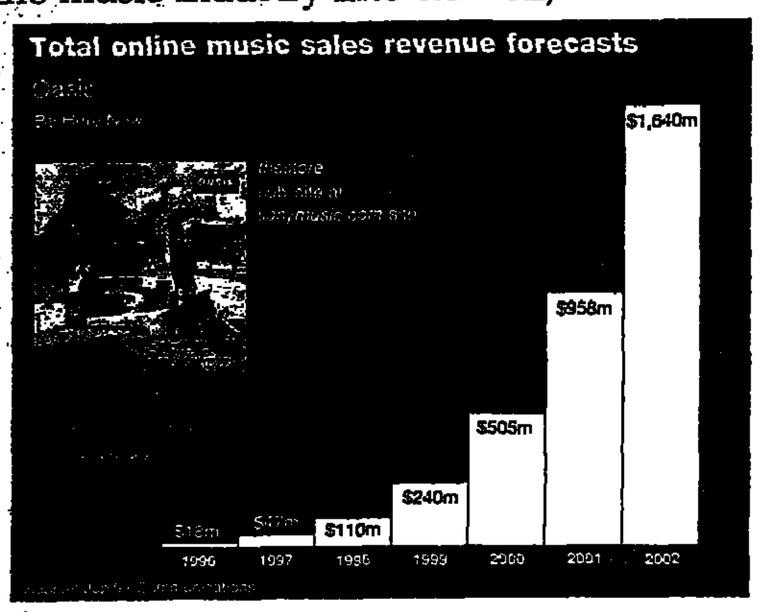
Splashed across the home page is a logo for *thestore*, a sub-site from which consumers can buy hundreds of albums. They e-mail their orders and credit card details to Sony, which posts their purchases to them.

Until now, US record labels have resisted the temptation to diversify into online sales for fear of upsetting record retailers. Yet other labels are certain to follow Sony by adding sales facilities to their internet sites. Warner Music, part of Time Warner, the US entertainment group, and BMG, the music division of Bertelsmann, the German media concern, are already making plans to do so.

These internet initiatives could destabilise the music market by bringing record companies into competition against their retail customers. They also raise important marketing issues for companies that have historically concentrated on publicising their artists, not themselves. They must now raise public awareness of their brand names.

When the online music market emerged three years ago, it was dominated by entrepreneurial specialists, such as CDnow and Music Boulevard; but established record retailers, such as Tower and Camelot, have since set up internet stores.

The online market is small, but growing rapidly. Consumers seem to feel comfortable about buying inexpensive products, such as compact discs, over the internet, particularly as those with multimedia computers can listen to snippets of music before ordering an album. The internet also enables record labels to reach older consumers, or people living in rural areas, who are unlikely to shop at record stores.




A recent report from Jupiter, a US internet research consultancy, predicted that online music sales would rise from $47m this year to $1.6bn (£980m), or 7.5 per cent of the global market, in 2002.

Record companies are keen to exploit the market's potential, particularly as it promises to be so profitable. Conventional retailers can make substantial savings on staff and property costs by selling from internet sites. The margins for record companies are even higher, because they can keep the share of profits usually ceded to retailers.

Warner and BMG have tailored their online sales strategies to avoid harming their relationships with retailers. Warner, now finalising plans to launch a fully fledged internet record store, has run a pilot project selling a limited range of 200 albums from its artists' promotional sites for the past year.

The signs leading the user into Warner's sales sub-site are extremely subtle, and all the albums are sold at full list prices, to avoid accusations that Warner is undercutting its retail customers. Warner is offering Jewel's hit album *Pieces of You* for $16.98, against CDnow's $13.82.

Warner is considering various concepts for its full-scale retail site. However, the branding is likely to emphasise individual artists and labels, such as Atlantic and Maverick, rather than Warner Music Group as a corporate entity.

BMG has also opted for full list prices for the online sales operation it plans to launch this autumn. Rather than adopting a corporate brand name, or those of different labels, it has divided the promotional sites of artists from different labels but similar musical genres into three thematic sites.

The *peeps.com* site includes BMG's "urban" acts such as Toni Braxton, Wu-Tang Clan and R. Kelly. Rock groups belong to *budjuice.com*, and country artists to *twangthis.com*. Kevin Conroy, BMG's marketing director, said the company planned to encourage consumers to use the sites, and the ordering facilities which will be introduced this autumn, by enhancing their roles as sources of information and entertainment.

Sony has adopted a more aggressive approach with *thestore*, but pitching it as a rival to other internet retailers. All its artists are represented there, regardless of label or genre, and their albums are sold at below list price. Oasis's forthcoming *Be Here Now* can be ordered for $13.98 from Sony, and $13.96 from CDnow. But Sony's $13.98 price for *Morning Glory*, Oasis's last album, undercuts CDnow's $14.96.

So far, Sony's internet initiative seems to have escaped controversy. But *thestore* has been online for less than a month, and Sony has refrained from publicising it externally.

Other record companies must decide whether to follow Sony by going full throttle into online retailing, or to play it safe like BMG and Warner with their subtler strategies.

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Winston Fletcher · Ad Lib

# Words designed to bring added value

In the US last month, one of the world's greatest retailers began to shut up shop for the last time. After 117 years' trading, F.W. Woolworth is to close its last 400 stores, and one of the world's most famous brand names will vanish from the high streets of America.

Meanwhile, in the UK the battle to create what could become one of the world's great branded goods leviathans continues unabated. Guinness and GrandMet are still locked in unarmed combat with Bernard Arnault, LVMH chairman, and are still determined to launch GMG Brands and consequently dominate the global drinks business.

Together, these disparate events turn trendy conventional wisdom about the future of brands, branding and mass consumer marketing upside down.

Just four years ago, when Philip Morris slashed the price of Marlboro by 20 per cent to compete with cheap retailers' own label cigarettes, myopic marketing pundits chorused "manufacturers' brands are down to their last gasp".

Yet now Woolworth has gone to the great American shopping mall in the sky, manufacturers' brands are thriving, and brand advertising is thriving with them.

That's not to deny that the leading retailers, throughout the world, have immense strength. Much of it springs from their own development as brands. As young Frank Woolworth recognised more than a century ago, a retailer's brand can be just as powerful and attractive to consumers as a manufacturer's brand.

What were Fortnum and Mason, Selfridge, Macey, Gimbel, Bloomingdale, Marks and Spencer (and Sainsbury) if not great brand marketeers? They were as conscious of the importance of their brands, and of their brands' images, as Cadbury, Lever, Ford, Beecham, Mars, Procter and Gamble.

The significant question, from a branding point of view, is what gives brands their power to influence – if not quite control – people's purchasing decisions, and thus their power to influence – if not quite control – modern economies? Brand names are nouns which their owners imbue with meaning. They are the only words, of any kind, which are "owned". They are also the only words which are "designed", and appear in the same visual manifestation, for instant recognition.

And they are the only words which have value and can be bought and sold like commodities. Try selling the word *dog*, or *flibbertigibbet*. In the first place, you don't own the words, nobody does. Anyway, the words aren't worth a penny.

But Interbrand, a leading brand consultancy, values *Marlboro* at over $44bn (£27bn). Marlboro's value comes from the fact that billions of smokers prefer packets on which the word *Marlboro* has been emblazoned to packets named *Zilch*, however prettily *Zilch* has been displayed.

To ensure smokers continue to choose Marlboro, its owners must constantly manage, husband and control its meaning. They do so by advertising, by packaging, by the specification and quality of the product itself. And it is the perceived meaning of the brand name – usually called its image – which market research surveys measure.

> As long as the owner controls the meaning of his brand it gives consumers an implicit guarantee – a promise of consistency, quality and style

There are no other words whose meanings are controlled by their owners, or indeed by anyone else.

That's not to say brand words cannot mean several things. The Virgin brand name does. Brand words can apply to a variety of merchandise (as Marks and Spencer does). Their specification can be changed – the Financial Times is different every day, but its brand is constant.

But brand owners must be careful. Words are difficult things to own and control. When brand names slide into common parlance, like Thermos and Hoover, they lose part (or all) of their value. But as long as the owner controls the meaning of his brand it provides consumers with an implicit guarantee – a promise of consistency, of quality, of style.

All of this greatly appeals to consumers. In a world of increasing choice and complexity it helps them make their purchase decisions rapidly.

Economists tend to think brands give unwarranted power to manufacturers. But fundamentally brands have great power because they provide consumers with great benefits.

Brand names are a unique class of word, recognised as such in law. They are vital to the efficient functioning of a modern economy. They have become an intricate and integrated part of our lives.

If I ever discover who invented them I'll toast his memory – in a famous brand of champagne, naturally.

*The author is chairman of Bozell UK Group.*

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Websites of the Week

# Safe proposal

The issue of computer security and encryption is again a hot topic in Washington.

A bill proposed by Bob Goodlatte, the Republican Congressman, appears to be gaining bi-partisan support and may be voted on by the House next month.

The Security and Freedom through Encryption Act (Safe) would overturn government restrictions and allow US companies to export so-called strong encryption products, which render information unreadable without a decoding "key". Under current regulations, exporters must provide law enforcement authorities with access to such keys.

Supporters of the Goodlatte bill have argued that other countries are already shipping stronger encryption products than the US, and that criminals – ostensibly the target for official restrictions – will obviously use systems that do not require voluntary surrender of decoding keys.

The subject of encryption, with its implications for personal privacy, industrial competitiveness and electronic commerce, has been the source of much debate on the internet. Many sites offer background information and reflect various opinions.

Democracy.Net (*www.democracy.net*) in conjunction with the American Association for the Advancement of Science, recently provided an audio and video feed of a briefing featuring members of Congress and encryption specialists from industry and academia.

The Center for Democracy and Technology (*www.cdt.org/crypto*) has a range of resources pertinent to the subject.

The Electronic Privacy Information Center (*www.epic.org/crypto*) has background material. The Internet Privacy Coalition (*www.privacy.org/ipc*) gives details of its "Golden Key" campaign. Crypto.com (*www.crypto.com*) also has a search facility which allows US residents to find out their member of Congress's stance on this issue.

Stephen McGookin

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PACKAGING

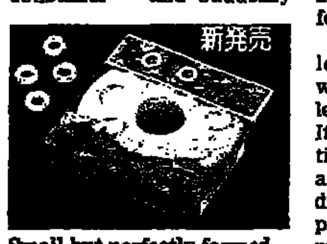
# A hole lot smaller

## Bethan Hutton on the miniaturisation of the Polo as the demand for mini mints grows in Japan

Polo is the mint with the hole – everyone in the UK knows that. But how does one re-format such a distinctive product to fill a new market niche, without losing its unique selling point? The solution Nestlé came up with in Japan was very Japanese: miniaturisation.

"Original-style Polos have been sold in Japan for some time, but a couple of years ago the company noticed a growing market share being taken by very small, strong-flavoured, sugar-free, breath-freshening mints in plastic dispensers.

"This was a very minor segment at the time, but the segment grew – it clearly appealed to the Japanese consumer – and suddenly there were these small, aspirin-like mints sold in plastic containers," says Charles Ireland, vice-president of Nestlé Mackintosh Japan.




Small but perfectly formed

Nestlé wanted to make a place for itself in the market, but not just by launching an identikit small mint. "The issue was, how do we miniaturise the Polo? It was a technical headache," Ireland admits.

"The concept was important – we wanted to replicate the original mint as far as possible. We wanted to shrink it down to the size of the hole in the middle, but still emboss it with the Polo logo."

After much experimentation, the Nestlé R&D centre in York eventually produced a tiny – 7mm – but perfectly formed sugarless Polo.

For packaging, Nestlé looked locally in Japan, which is acknowledged as a leader in packaging design. It came up with a white plastic dispenser in the shape of a Polo, but about 5cm in diameter. This is a handy pocket size similar to, but more distinctive than, the rivals already on the market, such as Frisk, the Belgian brand, and Italy's Köldt.

Last month the new Polo "Supermints" were released to test markets, including Tokyo. The results are encouraging, says Nestlé.

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Tim Jackson · On the Web

# System seeks to unite friends

This is the story of a company that claims 2.2m customers, not a penny in revenues, and no fixed plan for how it will make money in future. But it is one of the most promising internet businesses I have looked at in weeks, and it offers lessons for almost all web entrepreneurs.

The company is called Mirabilis. Its product is a piece of software called ICQ – "I seek you" – which allows groups of internet users to "chat" electronically, to exchange files like spreadsheets and text documents, to play computer games with each other over the internet, and even to surf collectively over the net.

Each of these features is already available, but ICQ (*www.icq.com*) has enhanced them. Internet Relay Chat, a latter-day amateur radio technology, is used for exchanging typed messages over the internet, but is harder to use than ICQ.

AOL, the online service, has an "instant messaging" function which allows customers to send a private message to another user who is online at the time, but this does *not* operate fully with the wider internet. A number of specialised web sites offer chat, but users have to point their browsers at the web site before they start.

ICQ's main distinguishing feature is that it changes the nature of chat. Traditionally, internet users go into a "chat room" intended for people with a common interest even if they have not met before. But it is more obvious to use the technology to communicate with people you already know.

This is the focus of the ICQ product. It allows users to set up a list of a closed group of colleagues, family or friends, and to communicate with them easily.

To use the service, you download a modest 800K program and spend a few minutes installing it. The program creates a little window on your desktop, which checks when you are connected to the internet, and shows which members of the group are online.

To avoid being disturbed, users can designate themselves AFD, or "away from desk", and their messages can be stored.

Now comes the clever bit. Since the value to users of a network of this kind is proportional to the number of people they know who are also connected, the ICQ software contains features which make it particularly easy to get friends and colleagues to join up.

It allows you to search for people by name not only in the ICQ directory, but also on databases on the web such as the *411.com* service.

You can also type in the e-mail address of someone you would like to join, and ICQ will send them an e-mail explaining the recommendation. You can set up a Future Users Watch, whereby you list the e-mail addresses of friends, and ICQ tells you when they join up.

The ICQ software, which was launched to 100 users in beta test last November, now has 2.2m registered users and a further 20,000 signing up every day. Its designers have hit on a new form of "strategic word of mouth" – a technique for harnessing the power and speed of personal recommendation on the web, and turning it to business advantage.

The ICQ recommendation system is like the *Amazon.com* "affiliates" program covered in this column last year. It pays web sites a commission for recommending customers to buy its books but is much better.

So far, ICQ is free. Mirabilis was formed by four internet engineers in Tel Aviv. They built it as a tool for themselves before realising its business potential.

Even now, with more than 2m users and 30 employees, no professional investors are involved.

Instead of providing a server that acts as a conduit for every message that passes, ICQ uses the software on the client's desktop to send a message to its server when the client logs on. This message, of only a few bytes, tells the ICQ database the IP (internet protocol) address of the individual who has logged on – an address which may change each session because internet service providers share each IP address between many clients.

The server holding the database can then send an equally brief message to all the friends of the person who has just logged on, telling them the person is online. The members of the group can then send each other messages directly.

Mirabilis can serve millions of customers with only modest computing power and internet bandwidth, and thus at modest cost.

Sefi Visiger, one of Mirabilis's technologists, predicts that ICQ's user base will rise to 10m within the next three months. He and his colleagues believe the interests of the business will best be served by keeping the service free until then. Once they have a commanding market position, they will find a way to make money.

They may offer two versions of the software: a free "Lite" version, with limited functionality and perhaps an obligation to look at advertisements; and a paid "Pro" version with no ads.

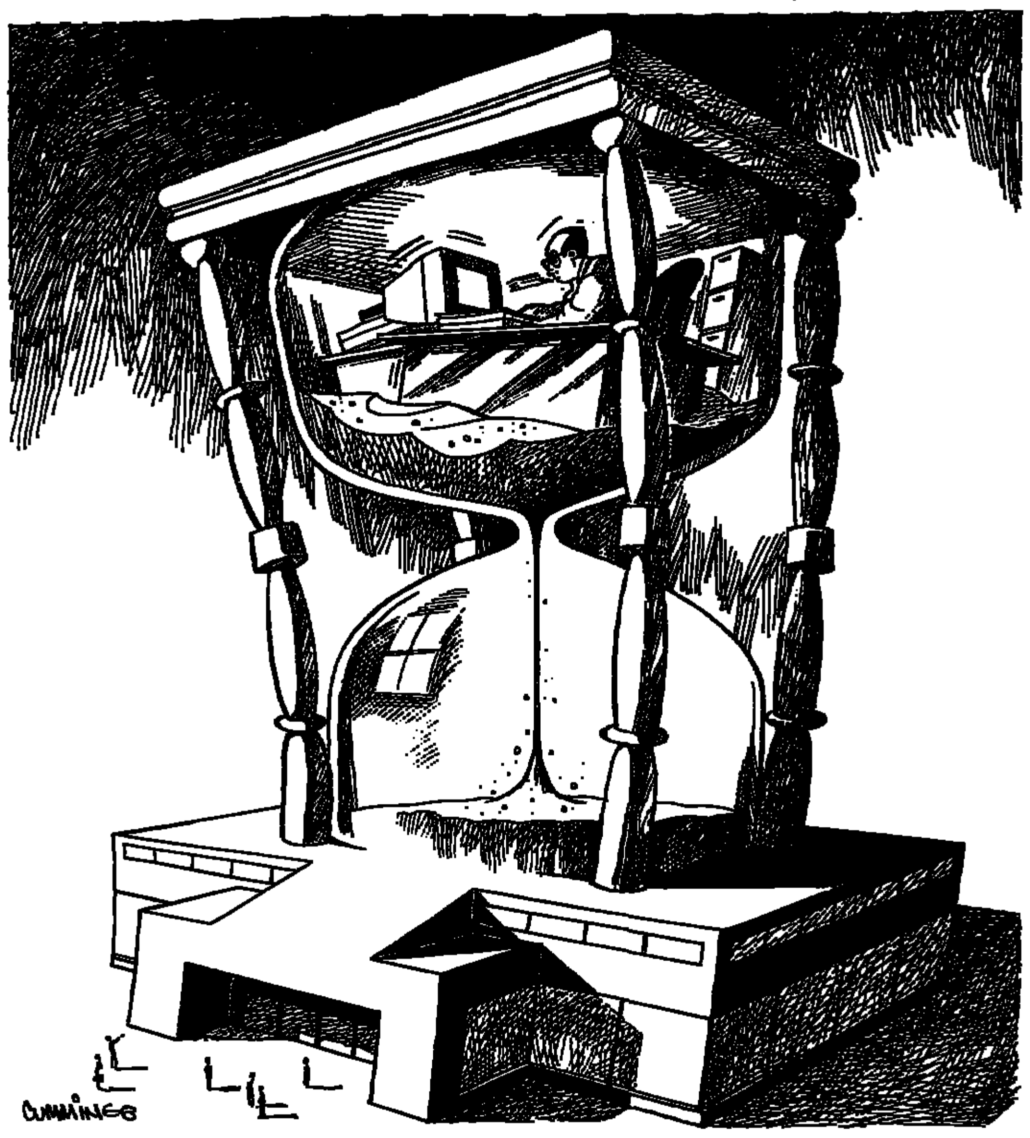
If they achieve their 10m-user target, the price of ICQ Pro need not be high to create a big and profitable business overnight.

*tim.jackson@pobox.com*

## MANAGEMENT

**Vanessa Houlder** reports on the use of interim hired hands as managers

# When even the boss is a temp




A few years ago the only temporary staff in a typical office would be typists or receptionists. Now, the roster of office temps could well include the boss.

The rise of the interim manager is a striking illustration of the trend towards flexible employment. The willingness of organisations to rely on temporary hired hands has extended into their most senior ranks.

David McNair is an example of the new breed. Aged 48, he has 25 years of experience in food and drink marketing, most recently as group marketing director for Allied Domecq Spirits and Wine.

For the past two years he has worked as a consultant and interim manager in financial services, advertising and the hotel industry. In April, he took up a six-month post as interim brand director for J. Sainsbury, the supermarket group, while it sought to fill the permanent position. The assignment was arranged by EIM, an executive interim management group.

McNair is enthusiastic about his peripatetic way of life. "I thoroughly enjoy it," he says. "The great appeal is that it allows me to apply my management skills across a wide variety of businesses."

Like most interim managers, he is somewhat overqualified for the role. "It is overkill by overskill," he says. He feels this gives him the advantage of being able to hit the ground running.

Sainsbury's was aware that being a stop-gap manager could be difficult. Like living in rented accommodation, it would be frustrating for someone who liked making changes. The problem was avoided by giving McNair responsibility for specific projects that could deliver results relatively quickly.

McNair thinks that interim management suits the way businesses are tending to be run, requiring bursts of intensive project-related work. It also suits organisations that have undergone "delayering". "When looking at change, they need to acquire management quickly," he says.

John Hird, chairman of Albemarle Interim Management Services who also chairs the Association of Temporary & Interim Executive Services in the UK, agrees with this assessment. Many companies look to interim managers, rather than permanent employees, to staff projects concerned with expansion. "I believe it is a change in the employment pattern," he says.

The increasing popularity of interim management is confirmed by a recent survey by GMS, an interim employment agency. It estimates that 10,000 senior executives work as interim managers and independent consultants in the UK, in a market worth £400m, up from £100m at the start of the decade.

The UK is not alone in embracing interim management. According to EIM, demand for such managers originated in the Netherlands, is growing rapidly in Australasia, Germany and Italy and somewhat more slowly in France and Belgium.

In the early days of interim management in the 1970s, the main reason for employing such people was to fill a gap while a permanent executive was recruited. Since then, the role of interim managers has become more diverse. They are called on to improve the performance of troubled businesses, ones that are newly acquired or earmarked for disposal, and venture capitalists' investments. They are also being used by organisations unsure about the sort of managers they need.

For example, when the West Berkshire Priority Care Service National Health Service Trust needed to hire a personnel director, it was uncertain about whether it needed someone with specific experience of the health service. It called on an interim manager from PA Consulting's *interim management division*, which convinced it of the attractions of employing an "outsider" from the private sector.

In another instance, the Trust wanted a director of information to set up a new department. It was unsure about the exact shape the department would take and the extent to which its activities would be outsourced. It decided to appoint an interim manager "who would not be bound by thinking of the kind of department he would like to run in the long term".

Inevitably, there are some disadvantages that come with a reliance on temporary executives. There may be a lack of continuity, a difficulty in team building and a sense of uncertainty among other employees. Yet overall, the advantages of using interim managers are convincing. Employers benefit from greater flexibility, a different perspective and improved cost control.

But what of the employee? Research last year by Sanders & Sidney, an outplacement specialist, found widespread resentment of fixed-term contracts. Nearly everyone interviewed – employers and employees alike – thought that fixed-term contracts favoured the employer, rather than employee.

The idea that interim management exploits employees is firmly denied by the agencies serving the top end of the market. John Gerry, a partner of EIM, points out that its London-based team of 50 interim managers are often offered permanent jobs, but prefer interim work.

Yet there is a widespread agreement that interim management is a difficult life for people who are not financially secure. For this reason, interim management companies favour older people, in a reversal of the age discrimination that dogs them in the permanent job market. "We seldom employ anyone less than 45 as they are not usually financially secure enough to take the insecurity," says Richard Foot, who heads the interim management arm at PA Consulting.

He warns that interim management is a tough, demanding proposition, to which only a relatively small group of people is suited. "They need maturity, stature, charisma, strength of personality and leadership," he says. "This is not for less experienced people."

# A varied route out of redundancy

Why become an interim manager? When GMS, an interim management company, asked this question in a survey of 700 managers, the most common single reason it received was redundancy.

But large numbers cited positive reasons for going independent. They wanted the flexibility, the challenge, the variety, and an escape from company politics. Some liked the idea of working for themselves, others the opportunity to do unpaid charitable work, many liked the prospect of lengthy holidays.

GMS also asked interim managers what they disliked about their jobs. The biggest problem cited was the uncertainty and irregularity of work. Another group complained of "lack of involvement, structure, control, continuity and team spirit". Some people thought it was difficult to get sufficient training.

The idea that becoming an interim manager brings with it a more enjoyable lifestyle can be misleading. Several people said they resented the time they spent away from home.

According to one human resources consultant, the main problem is "the blurring of the line between private and business life". "Guilt – when not working," commented a commercial and marketing management consultant. "Hard work and no relaxation," said a London-based financial consultant.

The difficulty of planning holidays was another drawback. "It is difficult to take long holidays due to the need to take opportunities as they occur," said a company doctor. A few were uneasy about their image. A finance consultant felt he had a "lack of credibility in the eyes of clients who are permanent employees".

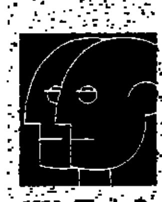
The problem, in part, reflects the diversity of people working as interim managers. According to a turnaround expert from Birmingham, there is a "poor image created by so many people on the fringe of the business purely because they have found themselves out of work".

**VH**

Mark Jackson (left) and Michael Symons: 'If we're at all alike, it's in our energy. We're movers and shakers who like to see things to the end'

## PARTNERS

# Helphire



*Michael Symons, 43, a former solicitor, and Mark Jackson, 40, a general practitioner, set up Helphire in 1992. Their Bath-based company specialises in non-fault accident assistance by providing car hire and repairs on credit. Helphire, which floated in March, has a turnover of £10.1m.*

Michael: "Helphire was set up to ensure people enjoyed their legal rights. Everybody knows the hassle if you're insured third party and involved in an accident which isn't your fault. You invariably end up driving around in a beaten-up car while trying to get money out of the other person's insurers.

Our original idea was to provide replacement cars, but there wasn't enough incentive for garages to refer people so we launched the credit repair system. As we make our income from the car hire, not the repairs, the service costs Joe Public nothing, which is why we've expanded so quickly. It's also why the garages initially thought the whole thing was too good to be true.

Our biggest problem is the insurance companies. We know that our forms get hidden under counters if the insurers are around, but who can blame the garages when they are threatened with losing their approved status? When we started out the big insurers refused to pay companies like ours on the grounds that our business was illegal. We knew they had no case; it was just a means of stalling payment.

My legal background means I'm constantly trying to protect the company's interests which makes me seem confrontational. Mark's much more tactful. If we have a senior member of staff being awkward, he'll sort it out. If we're at all alike, it's in our levels of energy. We're a pair of movers and shakers who like to see things to the end."

Mark: "Michael's legal background has been essential because the core of our business is assessing risk. My own background has helped in that medicine is all about problem-solving. Every patient presents a conundrum and it's the doctor's job to sort it out and make them better.

Michael and I are both drawn to the intellectual challenge of business, so working with him can be very satisfying. As we grow, the challenges and risks get greater. We constantly need more people, bigger premises, more advanced systems; at the same time we're trying to develop new products. We can only continue to grow if we keep innovating and questioning areas within the law.

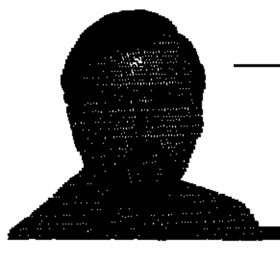
I'm good at delegating, which is not that common. People who are successful are invariably obsessional and the more obsessional they become, the more they fear that others will not do the job as well as themselves. Michael and I are obsessional but in a fairly controlled way. His mind follows the same thought trails, yet physically and emotionally we couldn't be more different.

We both found the process of floating the company fascinating. Preparing for due diligence was similar to writing a scientific paper: you set out your reasons for believing something is true, then people question you in the minutest detail. It's a great discipline, something all companies should experience every three years or so because it sharpens you up. Of course, the downside would be all those corporate lawyers rubbing their hands."

**Fiona Lafferty**



# Political minefields await the unwary fat cat



## Tony Jackson

Among the various reactions to the Lord Simon affair, one was wholly predictable. The row, for those not up on UK politics, was over a possible conflict of interest: whether the new minister for European competitiveness – and former chairman of British Petroleum – should hold £2m-odd worth of BP shares. Last week the shares were sold, and the fuss died down.

But it merely went to show, we are told, what we should have known all along. Lord Simon may be a splendid chap and a fine businessman, but he is a political *naif*. Management is a simple affair of profit and loss. When it comes to the complexities of public life, business people have little to offer.

*If so, Lord Simon is not the UK's* only worry. The Tory party is being re-organised by Archie Norman, chairman of the Asda supermarket chain. Another erstwhile head grocer, Lord MacLaurin of Tesco, is busy reforming English cricket.

It seems to me that distrust of managers in public life has two aspects. The first concerns managers themselves. The second says that applying management theory to government is a false analogy.

Those who push the *ad hominem* argument have plenty of material. Look at Lord Rayner, former head of Marks and Spencer, who made little headway in reforming the civil service. Or Derek Lewis, an executive from Granada, who was fired as head of Britain's prisons.

Neither of these cases is clear-cut. Rayner's mistake was to conclude that Britain's civil servants were in fact highly capable managers, who should be given more scope. This ran counter to the prejudices of prime minister Margaret Thatcher, so that was that. Similarly, Lewis may have been quite a good prisons boss. But he was caught in political crossfire, and his dismissal has since been the subject of public bickering between ex-ministers.

The issue, in other words, may have less to do with the utility of managers in public life than with the competence of politicians to exploit it. If Tony Blair is serious about using executives, he should bear the point in mind.

As for the use of management theory in the public arena, that is more debatable. A recent book, *The Witch Doctors*, describes how the US political establishment from President Clinton down is gripped by management-speak. Even the Pentagon has been known to describe war as "the ultimate benchmarking exercise".

But by no means all public life is like business. It is the job of corporations to win customers. I am not a customer of the taxman or the policeman. If I were, I could ignore them or tell them to go away. Our relationship with the state is much more complex than a business model would allow.

*At the micro level*, the argument can be reversed. Take the grocery magnates Norman and MacLaurin. Cricket and political parties have some things in common with business – for instance, the requirement to make money. Thereafter, they differ in being simpler.

The head of a business is perpetually confronted with multiple choices: expand or contract, acquire or divest, change business entirely. In cricket and politics, these choices do not exist. The Tory party has no option but to fight Labour at the next election. England's cricketers cannot opt to play with 20 men, or switch to ping pong.

Perhaps this is Lord Simon's real problem. He is used to the complexities of business. It was the brutal simplicity of politics that caught him on the hop.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One final word on the Simon affair. If it seemed slightly unreal, that is because it was one of those arguments that seem to be about one thing but are really about something else. I suspect that few of the electorate cared much about conflicts of interest, blind trusts and so forth. More people were upset that a public servant should have £2m at his disposal in the first place.

There is a daft predictability about this. If Labour wanted to recruit people with a good head for business, it should have occurred to the party that such people are good at making money on their own account: that they are, in popular parlance, fat cats.

Equally daft is the idea that the private wealth of ministers is never affected by their actions. When the first Thatcher administration slashed the top rate of income tax, I do not recall Tory grandees offering to hand back the rise in their take-home pay.

Come to that, when the Bank of England raised interest rates last week, how much cash did the governor Eddie George have on deposit? Should we not be told?

*Lucy Kellaway is on holiday.*

## BUSINESS EDUCATION

US managers need small talk and table manners as well as orthodox business skills, says Victoria Griffith

# Trivial pursuits

Where is the proper place to pin a name tag at a business event? Should guests at a large table wait for others to be served before eating?

Such questions may seem trivial compared to big management questions such as leadership or innovation, but to executives uncomfortable at large-scale gatherings, these and other etiquette questions loom large. At a number of US companies, managers' unfamiliarity with life's social graces has become so acute that instructors are being brought in for special courses.

When the partners at the St Louis office of accountants Arthur Andersen went on a two-day retreat last year, they (and their spouses) spent half their time in a session given by speaker Susan RoAne on how to get along at social and business events. P. J. Livingston, chief executive of the medical malpractice insurance group Washington Casualty, says RoAne's pointers were important to his own success. "In these days of impersonal service, e-mail and faxes, a businessman can really distinguish himself simply by being personable," he says.

RoAne has given etiquette classes to companies and has also lectured at business schools, including Wharton and Chicago.

While RoAne focuses on mingling, the consultancy Chrysalis delves into the fine points of table dining. Mary Crane, who heads the firm, says she instructs her clientele on titbits such as where to place napkins when leaving the table and which wines to choose for special dinner parties.

The need for such information is growing with the breakdown of social instruction at home. "Our workers have grown up on television," says Larry Katzen, managing partner for Arthur Andersen's St Louis office. "They've lost the art of conversation, and that impacts the way executives do business. I don't care how brilliant you are, if no one likes you, you won't win over clients."

Crane believes the lack of sit-down family dinners is making barbarians out of many future business people. "When you eat most of your meals at Pizza Hut, McDonald's and Taco Bell, how can you be expected to learn the art of fine dining?"

Moreover, new situations require new rules. Crane says a female lawyer she advises often finds herself facing the same dilemma: should she or her male client be seated first in a restaurant? The answer, according to Crane, is the client, who is the guest. Yet one of the most important lessons of etiquette is not to be too dogmatic. If the client is uncomfortable, the female lawyer should sit first.

Large business gatherings also need special tactics. Forget being fashionably late, advises RoAne. By arriving early, a guest may be able to bend the ear of a distinguished person. "The CEO of the company that's hosting the event may be standing there for the first 20 minutes with few people to talk to," says RoAne. "If you get there late, you've missed a chance to do some valuable schmoozing."

Breaking into a cluster of people is a common problem. The first rule, says RoAne, is to avoid tête-a-têtes. "When two people are talking, assume it's intimate and leave them alone." In larger groups, she advises, move to the periphery of the group and try to make eye contact with someone."

RoAne also gives pointers on how to extricate oneself from a conversation. "The tendency is for people to say 'Oh, I'd better go and make the rounds'," she explains. "But that sounds dismissive. It may be better to simply say 'I hope you enjoy the rest of the conference', party or whatever it is and walk off."

The best way to make a good impression at a business gathering may be to cultivate a knack for small talk. Knowing what's going on in clients' industries is important; but being able to offer an opinion on a best-selling book may be just as valuable. "These gatherings have a business angle to them, but they are also social events," says Crane. "It's probably a relief to a lot of people to talk about something outside the office. And when you meet someone you share interests with – whether it's yachting or chess – you may have found a valuable business contact."

And in case you were still wondering, the name tag, according to RoAne, should be to the right of the heart, which places it in the line of vision during handshakes. And when more than six are seated at the table, says Crane, guests should start eating after the first few people have been served.


## NEWS FROM CAMPUS

### Henley muscles in on LBS

London business school may be in for a surprise this autumn when the Henley management college begins its next MBA course – on a campus in Regent's Park, just a stone's throw from LBS.

Until now, Henley MBA students have studied on the west London campus of Brunel university, which also awarded the degrees. But since Henley was given degree-awarding powers this year it has been looking for a new campus.

The site chosen belongs to Regent's college, where the European business school already runs its undergraduate business programmes.
*Henley: UK, (0)1491 571454*

### Thunderbird appointment

Thunderbird, in Arizona, has appointed J. Donovan Penrose as associate vice-president for academic affairs. Penrose will be director of the school's Master of International Management degree.
*Thunderbird: US, (602) 978 7761*

### Russian triumph for open courses

Britain's Open university business school will begin a new distance learning MBA course in September – in Russia. The OUBS will offer the degree in partnership with local distance learning organisation, Link.

Link has recently been accredited by the Russian Ministry of Education, which means that the OUBS is the first foreign school to offer courses accepted by the Ministry.
*OUBS: UK, (0)1908 654321*

### Cultural reward for banker

The president of one of Spain's leading financial corporations, Emilio Ybarra of the Banco Bilbao Vizcaya, has been awarded the 1997 Juan Llado award in recognition of his support for Spanish culture. The award is presented annually by the Madrid-based business school, the Instituto de Empresa, and the Ortega and Gasset foundation.
*Instituto de Empresa: Spain, 1 562 25 60*

# BUSINESS TRAVEL

## Travel Update • Roger Bray

### Pay on arrival

International travellers to the US will have to pay an extra $18 (£11) in taxes from October 1. Budget balancing measures include a new $12 arrival charge, and a similar fee for departing passengers. There is currently a $6 departure tax. But there is some compensation for business travellers. Ticket tax on journeys within the US will drop from 10 per cent to 9 per cent immediately, plus a flat fee of $1 per flight segment. Eventually domestic passengers will pay 7.5 per cent and $3. As a spokesman for American Airlines notes, this will benefit customers paying premium fares: "They have been paying more than their fair share of air traffic control costs."

### Cover up

Business in Malaysia? Use insect repellent and cover up against mosquito bites, even if there is no malaria risk in the part of the country you are visiting. The World Health Organisation warns that cases of dengue fever have almost doubled this year and says the outbreak should peak in the next few weeks. Although it is unpleasant – the fever is accompanied by acute muscle pains and often a rash – it is rarely fatal. But the WHO also reports many instances of the disease in its more dangerous haemorrhagic form.

### Accent prone

Travellers booking flights in the US and Canada will soon be able to telephone an automatic voice recognition system. It will stop them if it does not understand what they are saying – and even query whether they mean London, England or London, Ontario. On trial by American Express, it will tell callers flight availability and quote fares. Customers will be able to feed in regular requirements, such as a preference for an aisle seat. In the longer term, they should also be able to make hotel reservations too, but for the time being they will be transferred to an agent. The system is expected to be introduced across North America later this year. No date has been set for a European launch – but will it be able to handle foreign languages? "Maybe I'm exaggerating its capability," says a spokeswoman, "but we've tested it on about 500 people with accents from Brooklyn to Dallas and its responses were 95 per cent to 97 per cent accurate.

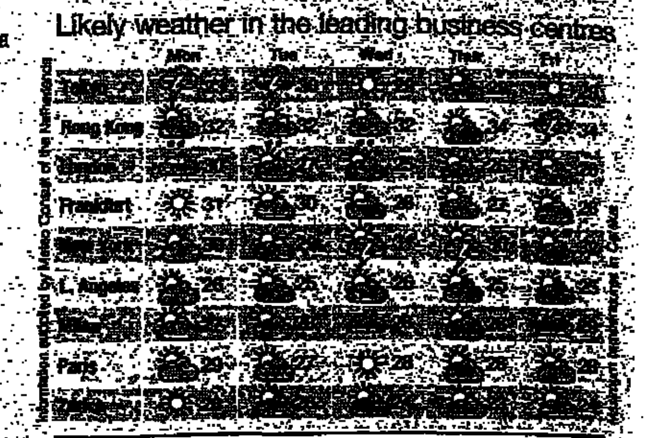
### Pacific heights

A 300-room hotel overlooking the Pacific is set to be built in the Peruvian capital, Lima. Managed by the Marriott chain, it will be 45 minutes from the airport. Part of a retail and office complex in the Miraflores district, the hotel will have business and fitness centres, a pool and casino.

### Country talks

Brainstorming meetings at country house hotels are gaining popularity – but they can cause serious jealousy back at the office. A survey of UK conference organisers found that more than half said they created the wrong image, sending "a signal of relaxation rather than hard work".

In a poll conducted by meetings reservation specialists Banks Sadler they voted Gleneagles their favourite country house hotel, followed by Dunstan Hall (Norwich), Hanbury Manor (Hertfordshire), Hartwell House (Aylesbury), Lainston House (Winchester), Middlethorpe Hall (York), New Hall (West Midlands), Norton House (Edinburgh), Peebles Hydro (Scottish Borders), Redworth Hall (Darlington), Turnberry (Ayrshire) and Wood Hall (Wetherby).





# On the run away from nowhere

**Roger Bray** recommends a brisk jog to find a world outside airports on business trips

There may be no wildebeest sweeping across the plains of Torquay – as John Cleese pointed out in *Fawlty Towers* – but if you go jogging from the Berlin Inter-Continental you will encounter them munching contentedly by the Landwehrkanal.

Make two left turns outside the hotel's main lobby and you join a quiet path along the back fence of the zoo where you'll find them in the first enclosure.

There is no better way for a business traveller to attack jet lag than to go out running after arrival. Disrupted meal schedules are a problem when you change time zones, but whatever the *hour back home, you'll be ready to eat after vigorous* exercise.

It is also an efficient way to counter the frustrating feeling that you have travelled halfway round the world to see nothing but airport terminals and conference rooms.

Some hotels provide maps. The best I have found was at Toronto's Four Seasons, where information included routes from 2.5km to 9km, advising on track conditions, rating them for traffic, and suggesting the best time to run. Go before breakfast and you could work up an appetite for lemon ricotta pancakes in the Studio Café.

The trick is to stay somewhere close to a park or waterfront. This requires careful planning. In Madrid, for example, the Ritz and Palace hotels are only minutes from the greenery and long paths of the Retiro.

In London, stay close to Hyde Park and Kensington Gardens. Conveniently located hotels include those on Park Lane – the Hilton, Dorchester, Grosvenor House or newly opened Metropolitan – the Hyde Park and Sheraton in Knightsbridge, the Royal Garden and Tara in Kensington.

In early morning you could run along the canals in Amsterdam but, to avoid the traffic, head for the extensive Vondelpark. The American Hotel is nearby.

In Milan the Principe de Savoia, Duca di Milano and the Palace are all close to the gardens on the Viale Vittorio Veneto, allowing you to run uninterrupted by the city's frenetic traffic.

Sydney's Ritz-Carlton and Inter-Continental are within a few paces of the botanical gardens. The best place to be in Paris – unless you stay at the Trianon Palace in the park at Versailles – is near the Tuileries. The Crillon would do nicely, as would any hotels on or close to the Rue de Rivoli, such as the Meurice or the Lotti.

In New York, choose a hotel close to Central Park, though you should not jog alone. Alternatively, if you stay at the World Trade Centre Marriott in the financial district, you have two options. You could brave traffic fumes and run across the Brooklyn Bridge and back – or you could stay indoors, resorting to the hotel's own 22nd floor track.

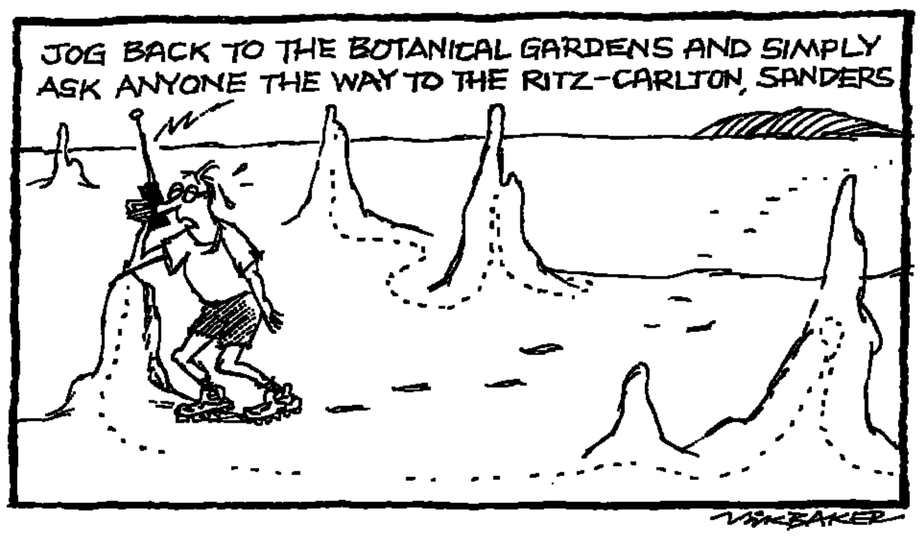
Waterfronts can be frustrating. What promises to be a car-free path suddenly turns inland and becomes a sidewalk. The attractive lakeside promenade near Toronto's Royal York Hotel is a case in point.

But stay at the Westin Bayshore in Vancouver and you can run around Stanley Park, with seaplanes taking *off from the harbour and a* glorious view of the Coast Mountains rising to the north. Or put up at the Bay Hotel, on Cape Town's Camps Bay, and you can run for miles by the Atlantic.

Even when you have overcome the embarrassment of negotiating lifts in smelly shorts and T-shirt, there are hazards to overcome. Poor air quality in some places can make running unwise.

Stay at the Nile Hilton in Cairo and you can jog along the river, but it won't do your lungs any good. The same goes for running by the Danube in Budapest.

Snapping dogs are also a threat and in Delhi you might need to sprint across the road to avoid the odd pack of monkeys. Of course, you could avoid the risks by using the hotel fitness centre – but you won't see any wildebeest.




Finding a good guide for global business trips is essential, writes **Gillian Upton**

# Knowing the ropes

Knowing what the banking hours are and which political hot potatoes to steer clear of in conversation can underpin the success of many business trips.

A good guidebook should provide you with such essential information and taking its advice can also save valuable time. The drawback is that guidebooks geared exclusively for the business traveller are rare.

*Those who want to do* their homework have to content themselves largely with guides targeted at tourists.

The Economist launched Business Travel Guides in the mid-1980s but they ceased publication in 1991 due to poor sales.

Stephen Brough, editorial director of the guides' publishers Profile Books, said: "We all thought there was a great market out there but travellers preferred ordinary travel guides."

Fortunately, ordinary travel guides have moved on from the backpackers' manuals they once were. There are those on the market now, such as Eyewitness, Dorling Kindersley and Insight Guides, which resemble pages from Vogue.

Glossy and heavy on atmospheric pictures, they sell at £12.99 to £15.00.

Mid-range and more suitable for business travellers are those such as Cadogan which are much stronger on information, listing places to stay, what to see in the area, visa requirements, how to get around, opening hours, and so on. They are priced between £10.99-£12.99.

The American Express guides started off with great promise but lost popularity when they changed from pocket-size to paperback.

On customs and general *background* to a country the Culture Shock series is probably the best. *Published* by Kuperard, prices range from £7.99 to £8.99.

To update yourself on current affairs, Pocket Books from Economist Publications (£10.99) cover history, politics, society, foreign policy and statistical data such as GDP and population.

For short, city-based business trips, the choice of guide is greater but not necessarily any better. Berlitz Guides give an overview. Priced between £3.50 and £4.99 and pocket-sized too, they are nothing if practical.

More in-depth are the Time Out city guides (£9.99), although their choices of venues are on the trendy side and there is a limited list of cities (Barcelona, Brussels, London, New York, Paris, Prague, Rome, San Francisco and Sydney).

*But in their favour they do* what they do best – listings of restaurants, hotels and places to see - rather than long essays. Another listings-based guide book is Access.

Lonely Planet and Rough Guides have been saddled with a backpacker's image but the Rough Guide has been trying to re-establish itself to a wider audience.

Pure culture vultures need look no farther than the Blue Guides. Covering subjects such as city planning, architecture and museums.

There is no one generic guide recommended to every country in the world but London-based travel books specialist Daunt Books recommends the following list to some popular business destinations:

Barcelona – Time Out (£9.99);

Brussels – Cadogan (£12.99), Time Out (£9.99) or Michelin (£8.99);

India – Indian Companion by Louise Nicholson (Headline) (£14.99);

Paris – Cadogan (£12.99);

Frankfurt – Insight Guides (£12.99);

Milan – Cadogan (£12.99);

Moscow & St Petersburg - Cadogan (£14.99);

New York – Access Guide (£9.99);

Prague – Dorling Kindersley (£12.99).



# THE WEEK AHEAD

## DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
British Steel 7p
BT Finance 8¾% Gtd. Bds. 1999 $437.50
Do. 8.765% Gtd. Bds 2009 $438.25
Chubu Electric Power 6¾% 1999 £67.50
Kobe (of City) 8⅞% Gtd. Bds. 1999 $443.75
London Merchant Securities 4p
Do. 10.5p
Do. Defd. 10.5p
Mazda Motor 5.1% Bds. 2000 Y510,000
Do.FRN. 2000 Y22,829
Morgan Stanley Equity Pref. Eq. Red. 4.78125p
National Power $1.5634
NFC 2.5p
Readicut Intl. 1.95p
Regalian Props 0.6p
Sterling Inds. 6.8p
Trinity Care 3.4p
Victorian Public Auth. Fin. 9⅝% Gtd. Bds. 1999 £96.25
Whitecroft 3.25p
Do. 5.1% Cm. Pf. 2.55p

■ **TOMORROW**
Archer dedicated 0.8p
Babcock Intl. 0.875p
Birmingham Midshires Bldg. Soc. FRN. 1999 £166.99
Latham (James) 5p
Nova Scotia (Province of) $154.13
Penna Hldgs. 1p
Royal Bank of Scot 9½% Undtd. Sub. Bds. £95
Shikoku Elect Power 6¼% Bds. 2003 $62.50
TLG 2.9p
Woolwich Sub. FRN. 2012 £173.29

■ **WEDNESDAY AUGUST 13**
Dawson Intl. 1.8p
Nordic Invs. Bank 7.75% Nts. 1998 £77.50
Sutcliffe Speakman 0.67p
Vosper Thornycroft 18.5p
Yates Brothers Wine Lodges 2.88p

■ **THURSDAY AUGUST 14**
Barcom 0.5p
Brockhampton Hldgs. 2.75p
Do. Non. Vtg. 2.75p
Century Inns 2.3p
De La Rue 16.5p
Deltron Electric 1p
Metrotect Inds. 0.65p
SDX Business Systems 0.8p
Storehouse 4.8p
UMECO 3.7p

■ **FRIDAY AUGUST 15**
Abbot Laboratories $0.27
Bank of Scotland (Gov.and Co.) Sub. FRN. 2000 $45,467.11
Barlo Grp. IR0.75p
Borsodchem HUF120
BTP 7.7p
Castings 3.55p
Chester Asset Rec No.3 Ass. Bkd. FRN. 2003 $1,663.56
City Mortgage Rec 1 Mort. Bkd. FRN. 2023 £46.90
City Mortgage Rec 2 Mort. Bkd. FRN. 2023 £51.55
City Mortgage Rec 3 Mort. Bkd. FRN. 2023 £49.79
Do. Class B Mort. Bkd. FRN. 2023 £68.39
City Mortgage Rec 4 Mort. Bkd. FRN. 2028 £55.02
Do. Class B Mort. Bkd. FRN. 2028 £68.39
City Mortgage Rec 5 Mort. Bkd. FRN. 2032 £46.98
Do. Class B Mort. Bkd. FRN. 2032 £79
City Mortgage Rec 6 Mort. Bkd. FRN. 2029 £54.69
Do. Class B Mort. Bkd. FRN. 2029 £68.39
Colgate-Palmolive $0.275
Courtaulds $0.1967
Cropper (James) 3.4p
MacDonald Hotels 3p
Marsh & McLennan Cos $0.50
Microgen Hldgs. 2.4p
Pilkington 3.25p
Prospect 2 Nts. 2005 £1,671.16
Do. Class B Nts. 2007 £1,739.18
Do. Class C Asset Bkd. 2010 £882.19
Ramsden (Harry) 1p
Sanwa Bank Canada FRN. 2005 $1,613.19
Scapa Grp. 5.28p
Scottish Met Property 10¼% Mort. Db. 2016 £5.125
Sheriff Hldgs. 2.35p
Sonar 1 Mort. Bkd. FRN. 2021 £133.74
Do. Class B Mort. Bkd. FRN. 2021 £192.82
Do. Class C Mort. Bkd. FRN. 2021 £214.16
Tanjong M$0.22
Vodafone 2.45p
Wainhomes 3.25p

■ **SATURDAY AUGUST 16**
Brit Gov Stocks 2½% Linked Treas 2013 £2.1636

## UK COMPANIES

■ **TODAY**
COMPANY MEETINGS:
**Applied Holographics,** 22, Sedling Road, Washington, Tyne and Wear, 11.00
**RPC Grp.** 12 Suffolk St. S.W. 11.30
BOARD MEETINGS:
Interims:
**Kode Int**

■ **TOMORROW**
COMPANY MEETINGS:
**Mansfield Brewery,** Mansfield Civic Centre, Chesterfield Road, Mansfield, Nottinghamshire, 12.00
**McDonnell Information Systems,** London Chamber of Commerce, 33 Queen St. E.C., 12.05
**Taverners Tst,** 99, Charterhouse Street, E.C., 12.30
BOARD MEETINGS:
Finals:
**VDC**
Interims:
**City Centre Restaurants**
**Easynet**
**Epwin**
**General Accident**
**Glynwed Int**
**Holliday Chemical**
**Morgan Sindall**
**Sedgwick**
**Smith & Nephew**

■ **WEDNESDAY AUGUST 13**
COMPANY MEETINGS:
**Mountview Estates,** New Connaught Rooms, Great Queen Street, W.C., 11.30
**Safeland,** 144, Great North Way, N.W., 11.00
**St James Beach Hotels,** Adelaide House, London Bridge, E.C., 11.00
**Schroder UK Growth Fund,** *33, Gutter Lane, E.C., 3.00*
BOARD MEETINGS:
Finals:
**Games Workshop**
Interims:
**BICC**
**Flying Flowers**
**General Cons**
**Independent Insurance**
**Life Offices Opportunities Tst**
**Millennium & Copthorne**
**Rosebys**

■ **THURSDAY AUGUST 14**
COMPANY MEETINGS:
**Jarvis Hotels,** Jarvis London Embassy Hotel, 150, Bayswater Road, W., 10.00
**Orbis,** The Institute of Directors, 116, Pall Mall, S.W., 11.30
**TBI,** Marriott Hotel, Mill Lane, Cardiff, 12.00
BOARD MEETINGS:
Finals:
**Kleinwort High Inc**
**Media Business**
Interims:
**Foreign & Colonial IT**
**Orange**
**WPP**
**Xenova**

■ **FRIDAY AUGUST 15**
COMPANY MEETINGS:
**Fuller, Smith & Turner,** Griffin Brewery, Chiswick Lane South, Chiswick, W., 11.00
BOARD MEETINGS:
Finals:
**Grosvenor Inns**
Interims:
**Burlington**
**Crown Eyeglass**
**Flextech**
**JKX Oil & Gas**
**Johnson Grp Cleaners**

*Company meetings are annual general meetings unless otherwise stated.*

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.
This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

## LEGAL NOTICES

No. 003491 OF 1997
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT
IN THE MATTER OF AMSTRAD PLC
- and -
IN THE MATTER OF THE *COMPANIES ACT 1985*

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 30th July 1997 sanctioning the Scheme of Arrangement and confirming the reduction of capital of the above-named Company from £36,800,000 to £21,052,212.125 and, the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 1st August 1997.

Dated this 11th day of August 1997
Herbert Smith
Exchange House
Primrose Street
London EC2A 2HS
Ref: 72/C439
*Solicitors for the above-named Company*

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ARTS

# OPENINGS

### EDINBURGH

The Edinburgh Festival begins. For dance lovers there is a chance to see Twyla Tharp's newest work (right) at the Playhouse.

The director-designer Stéphane Braunschweig, whose French production of *The Winter's Tale* made a strong impression at the 1994 Edinburgh Festival, now directs *Measure for Measure* at the Edinburgh Royal Lyceum Theatre from tonight to Tuesday 26, before touring for the rest of 1997 to Nottingham, Dublin, Rome, Madrid, Paris, Orleans, and Portugal.

The Spanish writer-director Jordi Mian fuses theatre, film, music and dance in *Blinded by Love (Cegada de Amor)*, a satiric soap opera, presented by La Cubana company, that has

played to capacity audiences in Barcelona and Madrid for almost three years. The production opens tomorrow night at the Edinburgh International Conference Centre.

### HEREFORD

Highlights of this year's Three Choirs Festival, opening on Saturday, include the premiere of a new choral work by Judith Bingham and an orchestral concert conducted by Sir Roger Norrington. The festival, which runs for a week, has several rarities from the 20th century British choral repertoire, including John Gardner's *Cantiones Sacrae* and Paul Patterson's *Te Deum*.

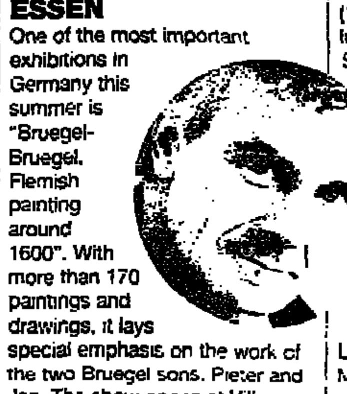
### AMSTERDAM

"Whistler and Holland", opening at the Rijksmuseum on Saturday, is devoted to paintings and etchings inspired by James McNeill Whistler's visits to the Netherlands between 1863 and 1902. The exhibition includes his paintings of Amsterdam and Dordrecht, as well as works by Dutch artists who were influenced by his approach.

### LUCERNE

Thanks to the astute programming of Matthias Bamert (far right), the 1997 Lucerne festival is more heterogeneous than ever. There will be a large Schubert retrospective, a focus on German composer Wolfgang Rihm, a whistling contest, a Pops concert and the Swiss premiere of Ronald Harwood's play about Furtwängler. Plus the usual line-up of leading orchestras from Amsterdam, Berlin, Milan, Oslo and Vienna.

### ESSEN

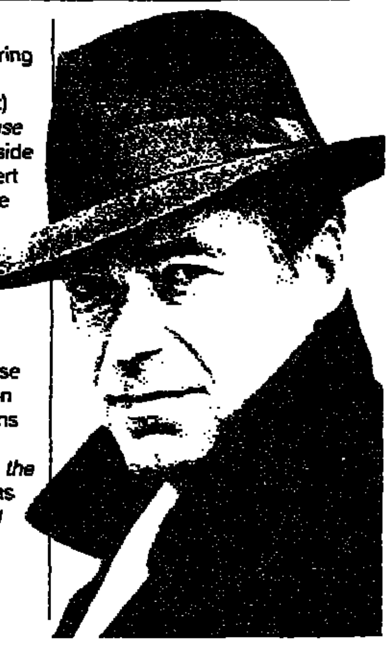


One of the most important exhibitions in Germany this summer is "Bruegel-Bruegel. Flemish painting around 1600". With more than 170 paintings and drawings, it lays special emphasis on the work of the two Bruegel sons, Pieter and Jan. The show opens at Villa Hügel on Saturday and runs until November, after which it will travel to Vienna and Antwerp.

### LONDON

Battersea Arts Centre is offering a rare chance to see Peter Maxwell Davies's (below, left) chamber opera *The Lighthouse* (1980), in a production by Inside Intelligence directed by Robert Shaw. The work is an intense musical drama exploring events leading up to the mysterious disappearance of the three keepers at the Flannan Isles lighthouse in 1900. The production opens tomorrow and runs till August 24.

*Cheryl Campbell returns to the* London stage on Thursday, as Mme Arkadina in *The Seagull* at the Donmar Warehouse, beside Joanna Roth and Duncan Bell. Stephen Unwin directs.



# The bad boy of Salzburg comes good

**Gérard Mortier arrived as director of the festival with a mission to antagonise. He has now won the establishment over, writes Andrew Clark**

Salzburg is deafeningly quiet. Not in the streets, as herds of noisy, sweaty tourists troop through the historic old city from dawn to dusk. Nor in the festival theatres, which this summer host a bigger programme than ever.

No, the quietness comes from Gérard Mortier, the short, flamboyant Belgian who has been artistic director of the festival since 1991. Mortier is no longer in confrontational mood. He is cheerful, emollient, conciliatory. He has survived all attempts to torpedo his festival reforms. He has reached an accommodation of sorts with former antagonists like Peter Stein and the Vienna Philharmonic. The Viennese press, Mortier's longstanding scourge, has lost its sting. And what could have turned into this summer's *Skandal* was averted, when the composer György Ligeti waited till *after* the first night to denounce Peter Sellars's new production of his opera *Le Grand Macabre*.

Yes, Salzburg is deafeningly quiet. "After a while," says the conductor Christoph von Dohnányi, one of Mortier's oldest professional associates, "if you are a mature person, you realise it doesn't make sense to change things by *saying* you're going to change them. You *do* it. That's what Mortier does now. He doesn't care so much about the reaction, who's for or against him. He makes his mistakes, we all do. But he has calmed down in the sense of being less aggressive. Everyone has learned his lesson. Don't talk. Work."

Mortier, 53, arrived in Salzburg with a mission to sweep away the conservative, commercial culture which prevailed under his predecessor, Herbert von Karajan. For his first few festivals, however, his public pronouncements suggested his real mission was to antagonise. He accused Salzburg's traders of shamelessly milking the festival, he chastised record companies for trying to dictate the programme, and ridiculed the "provincial" mentality of his colleagues on the festival Kuratorium. Art should challenge and not merely entertain, he said. In the process, he upset just about everyone, and seemed to like it that way.

But last year, when it had to decide whether to renew his contract till 2001, Salzburg meekly signed on the dotted line. The city fathers saw that, even if they didn't like the more radical aspects of Mortier's programme, business was as good as ever. More important, they realised the festival had to move with the times. Mortier's agenda embraced

> *'Everyone has learned his lesson. Don't talk. Work'*

the great 20th-century repertoire, internationalism, youth, informality, experimental art, accessibility – all of which Salzburg had lost sight of in its obsession with the past. OK, so some of the directors and designers he introduced were not to everyone's taste, but their shows were talked about.

"Most people accept him now," says Elke Polzer, whose ticket-shop on the Residenzplatz is a barometer of the festival's commercial fortunes. "He's opened too many doors for anyone to start shutting them again. It's only a minority who want to return to the old ways."

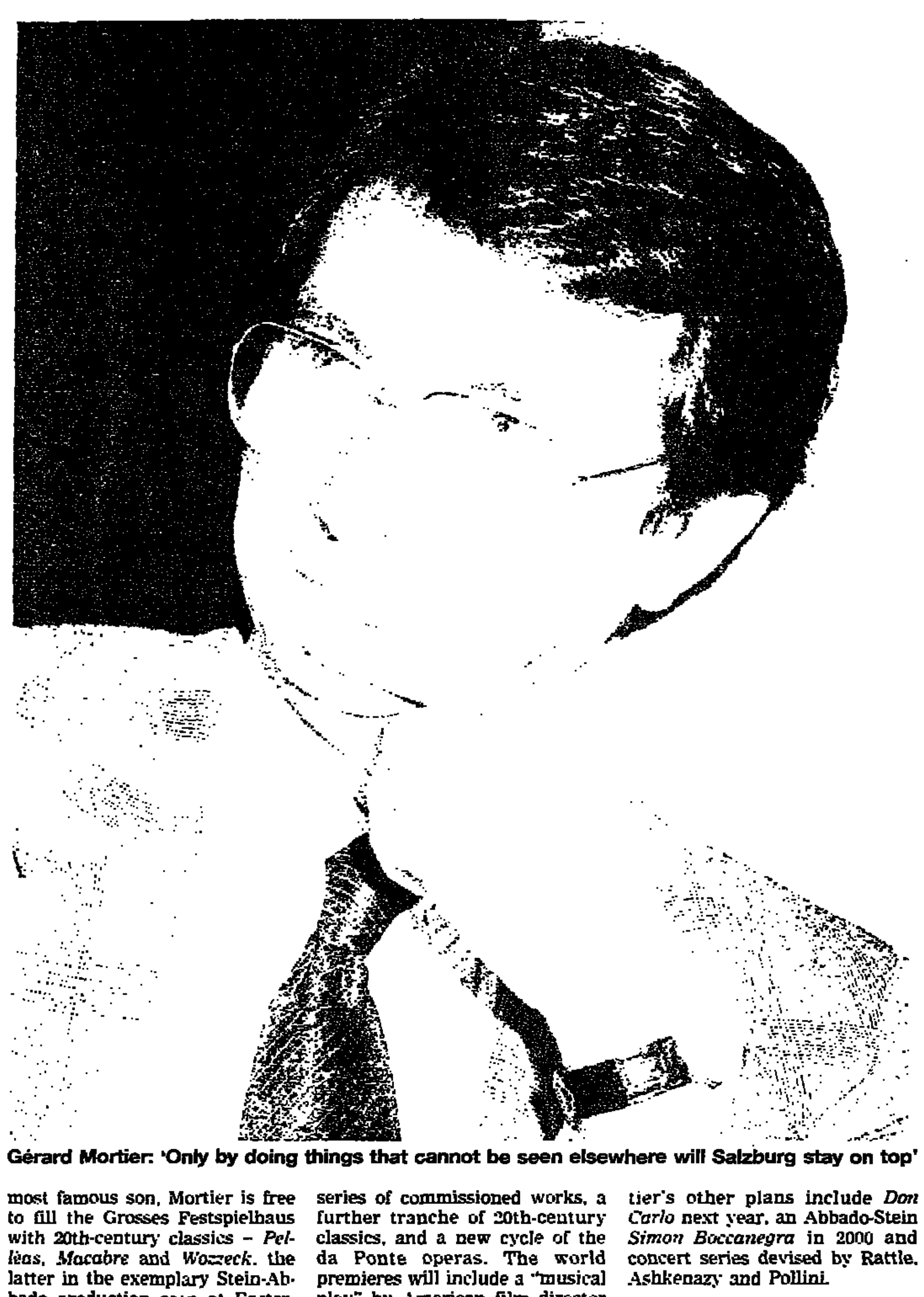
Sentiments like these have made Mortier more secure in himself. He has marginalised powerful opponents like Riccardo Muti, secure in the knowledge that there is no shortage of talent to fill the gap. Valery Gergiev, who made a sensational Salzburg debut last week conducting *Boris Godunov*, heads the list: he and Mortier are already discussing future projects. The younger generation – conductors like Marc Minkowski and a raft of up-and-coming singers – are making their presence felt. Senior figures like Claudio Abbado and Lorin Maazel, who admire Mortier's ideals if not his personality, are happy to take part. Mortier's achievement has been to make Salzburg buy his festival concept, turning this *Kleinstadt* into an international cultural exchange.

There is still plenty to fault. With nine opera productions this summer, spread out over six weeks, the programme looks a bit like a well-oiled machine, lacking clear peaks or the spark of originality. And it is too much of a mosaic: the defining style that Nikolaus Harnoncourt brought to Mortier's first four festivals has vanished. Harnoncourt represented fresh insights, a new approach, a voice that translated the classics for a new generation, in performances that – as in Karajan's day – were unique to Salzburg. But Harnoncourt became disenchanted with the festival's size, its compromises, and the lack of consultation he felt was his due. There is no one to replace him.

The other great hole in the festival's heart is a coherent style for Mozart's operas. Patrice Chéreau's *Don Giovanni* in 1994 was a re-cooked version of an abortive Bastille project. Luc Bondy's *Figaro* two years ago was a flop. This summer's *Mitridate* is one of Jonathan Miller's somnambulist efforts; *Entführung* has been turned into a Palestinian hostage drama, and Achim Freyer's new *Zauberflöte* is set in a circus.

Has Mortier lost the touch which he showed so brilliantly in Brussels? His penchant for fashionable smooth-talkers like Sellars and Bob Wilson seems to be leading the festival down a blind alley. Wilson, director-designer of *Pelléas*, is all style, no substance; Sellars's *Macabre* was misconceived and dramatically shapeless. For all these shows Mortier has maintained top-of-the-market prices, but there have been very few top-of-the-market singers.

Even so, the Salzburg establishment is not complaining. Mozart, the composer who bankrolls the festival, is represented this summer by five operas. Having done his duty by the city's



Gérard Mortier: 'Only by doing things that cannot be seen elsewhere will Salzburg stay on top'

most famous son, Mortier is free to fill the Grosses Festspielhaus with 20th-century classics – *Pelléas*, *Macabre* and *Wozzeck*, the latter in the exemplary Stein-Abbado production seen at Easter. No other festival could risk such a non-populist programme and hope to fill 2,200 seats a night. With prices up to Sch4,200 (£210), tickets *are* hard to sell – but Mortier can cover any deficits with 12 sold-out evenings of *Zauberflote*.

By the standards of other festivals, Salzburg's resources are huge. It needs a budget five times the size of Edinburgh's for the same number of tickets. Of course, such comparisons are misleading. Edinburgh buys in ready-made productions, Salzburg initiates its own – which gives its director far greater scope to propagate his artistic vision. And the sudden realisation that he has only four more years in which to do so has concentrated Mortier's mind powerfully.

He has set three priorities: a series of commissioned works, a further tranche of 20th-century classics, and a new cycle of the da Ponte operas. The world premieres will include a "musical play" by American film director Hal Hartley, an opera with film and computer music by Kaija Saariaho, an *azione sacra* by Luciano Berio and a George Benjamin opera. Mortier is also aiming to produce Weill's *Mahagonny*, Busoni's *Doktor Faust*, Henze's *We Come to the River*, two Janáček operas and Stravinsky's biblical works, bringing his 10-year tally of 20th century operas to a remarkable 20.

Bryn Terfel will sing his first staged Don Giovanni in 1999 and Abbado will conduct his first *Cosi* in 2000. Simon Rattle has agreed to tackle *Figaro* in 2001, on condition that he has the same Vienna Philharmonic musicians for every rehearsal and performance. No other conductor has succeeded in imposing such terms on the orchestra, and it could be a major source of conflict. Mortier's other plans include *Don Carlo* next year, an Abbado-Stein *Simon Boccanegra* in 2000 and concert series devised by Rattle, Ashkenazy and Pollini.

With this sort of programme, Salzburg can put up with Mortier for another four years. Already, however, there is talk of life after Mortier. The favourite to succeed him is Alexander Pereira, an Austrian who runs the Zurich Opera House. But Mortier dismisses suggestions that Salzburg will revert to its bad old ways when he goes. "You can't go back to being a touristic festival," he says, "because there are hundreds like that today – Salzburg would find the competition too great. The key to the festival is what you put in the programme, not the number of stars you engage. Only by doing things that can't be seen elsewhere will Salzburg stay on top."

Theatre

# The pity of war

**Early in 1943 the remnants of the German sixth army, facing wipe-out at Stalingrad and forbidden to withdraw or surrender, were ordered to write their final letters home. The letters were never delivered: after a failed attempt to use them in a propaganda book, they were destroyed. However, the book's author made copies of those missives in which he found what would now be called "human interest". These are the letters which Matthew Mills has translated and adapted for Clarion Theatre Company's *Last Letters From Stalingrad* at the Bridewell.**

**It seems a magnificent idea for a pity-of-war play, but for some reason is does not come off. Possibly a fringe theatre at the close, clammy height of a London summer is not the best environment in which to summon up the ravages of the worst Russian winter for 250 years, but this should not matter. Mills, director Chattie Salaman and the cast of four men and two women do their best to open up the action: soldiers' recitations of their letters are interrupted by taped artillery fire which leads them to scramble for cover; messages are alternately read by their writers and their recipients, as the bleakness of existence at the front is inter-cut with relatively everyday scenes from the homeland. At one point the men act out an account of a grand piano being discovered in a ruined house and dragged on to the street, where a soldier plays the *Appassionata* upon it.**

**The company sense the human tragedy in these letters, but do not communicate it to us. Their acting is a matter of efficiency and workmanship rather than empathy. At one of two points the use of taped material undermines the goings on on stage: the final poignant farewell, of a young officer in his letter to his higher-ranking father, is delivered in untranslated German, but its tone of official leave-taking masking despair is swiftly destroyed by a portentous closing voice-over. Such moments aside, all the ingredients of a powerful piece are present, but over these 70 minutes they fail to gel. One is left with a desire to read the source material in order to encounter its intensity directly rather than settle for this unaccountably unsatisfying presentation of it.**

**Ian Shuttleworth**

**Bridewell, London EC4 until August 16 (0171 936 3456).**

# INTERNATIONAL ARTS GUIDE

## ■ AMSTERDAM

**EXHIBITION**
**Van Gogh Museum**
Tel: 31-20-570 5200
Second of four summer exhibitions of drawings by Van Gogh. This time it is the turn of the works produced when the artist lived in Nuenen, 1883-1885. The exhibition is shown in two parts, with a changeover on Aug 18; to Oct 12

## ■ DROTTNINGHOLM

**OPERA**
**Drottningholms Slottsteater**
Tel: 46-8-4570600
Orfeo: Swedish premiere of Luigi Rossi's 1647 version of the legend of Orpheus. The producer is Jack Edwards, the musical directors Stephen Stubbs and Paul O'Dette. With the Drottningholm Theatre Ballet and Orchestra; Aug 12, 14, 16

## ■ EDINBURGH

**Edinburgh International Festival**
Tel: 44-131-473 2000
**CONCERTS**
Archive Recordings: as part of the Festival's 50th birthday celebrations, the Music Performance Research Centre at the Barbican Library has loaned a selection of archive recordings of concerts given during the early years of the Festival, which can be heard Mondays to Saturdays from 11 to 30 Aug. Featured artists include Maria Callas on 23rd, Joan Sutherland on 26th and Leonard Bernstein conducting the LSO on 28th. Tickets cost £2, most recordings last 45 minutes and begin at 2.15pm (1.30 on Sats); from Aug 11 to Aug 30, at the Queen's Hall

**DANCE**
● Fish: by the Bangarra Dance Theatre. UK debut for the Australian company and world premiere of a work which tells contemporary stories of Australia's indigenous population drawing on ancient myths and sacred dreamings; at the King's Theatre; Aug 12, 13, 14
● Tharp! new works by Twyla Tharp: *Sweet Fields*, danced to Shaker hymns and other American choral music, "66", and *Heroes*, with music by Philip Glass; at the Edinburgh Playhouse: Aug 11, 12, 13

**OPERA**
● Macbeth: by Giuseppe Verdi (original 1847 version). Concert performance given by the Chorus and Orchestra of the Royal Opera House, conducted by Edward Downes. Anthony Michaels-Moore and Georgina Lukács are Macbeth and Lady Macbeth, replaced by Bruno Caproni and Christine Bunning on 16th. Sung in Italian with English supertitles; at the Edinburgh Festival Theatre; Aug 12, 15, 16
● Platée: by Jean-Philippe Rameau: Directed and choreographed by Mark Morris, this production – sung in French, with English supertitles – stars tenor Jean-Paul Fouchécourt in the title role, with Diana Montague and François le Roux as Junon and Jupiter. With the Mark Morris Dance Group, Royal Opera Chorus and Orchestra of the Royal Opera House. Conducted by Nicholas McGegan; at the Edinburgh Festival Theatre; Aug 11, 13, 14

**THEATRE**
Measure for Measure: Director Stéphane Braunschweig returns to Edinburgh with that most ambiguous of Shakespeare's plays. Unlike The Winter's Tale, which was Braunschweig's French language contribution to the 1994 Festival, this production, staged by the Nottingham Playhouse, is in English; at the Royal Lyceum Theatre; from Aug 11 to Aug 26

**EXHIBITIONS**
**National Gallery of Scotland**
Tel: 44-131-624 6200
The Portrait of a Lady: Sargent and Lady Agnew: "Lady Agnew of Lochnaw" by John Singer Sargent (1856-1925) is the centrepiece of this exhibition which includes more than 20 portraits by Sargent himself – including Ellen Terry and Ethel Smyth – as well as works by his contemporaries and memorabilia from his studio; to Oct 19

## ■ LONDON

**CONCERTS**
**BBC Proms, Royal Albert Hall**
Tel: 44-171-589 8212
● John Lubbock: conducts the Orchestra of St John's, Smith Square in premieres of works by Lou Harrison and Stephen Montague, Barber's Adagio for Strings and Tabuh-tabuhan by Colin McPhee. With pianists Rolf Hind and Thomas Adès; Aug 12
● Pierre Boulez: conducts the Gustav Mahler Youth Orchestra in a programme of twentieth-century classics by Ravel, Bartók and Stravinsky - and his own Notations I-IV; Aug 12
● World premiere of a new work by Magnus Lindberg: performed by the Finnish Radio Symphony Orchestra and conducted by Jukka-Pekka Saraste. Sibelius's Violin Concerto in D minor with violin soloist Christian Tetzlaff, and Beethoven's Symphony No. 3 in E flat major; Aug 11

## ■ PESARO

**Rossini Opera Festival**
Tel: 39-721-33184
**CONCERTS**
Rossini's Petite Messe Solennelle: performed by soprano Carmela Remigio, contralto Mariana Pentcheva, tenor Juan Diego Florez and bass Michele Pertusi. With pianists Arnold Bosman and Rosetta Cucchi, and Federica Iannella on harmonium; at the Teatro Rossini; Aug 11

**OPERA**
Il Barbiere di Siviglia: in a staging by Luigi Squarzina. With the Ort-Orchestra of Tuscany, conducted by Yves Abel; at the Teatro Rossini; Aug 12

## ■ SALZBURG

**Salzburg Festival**
Tel: 43-662-844501
**OPERA**
● Die Entführung aus dem Serail: by Mozart. New production. Conducted by Mark Minkowski and directed by François Abou Salem with designs by Francine Gaspar. With the Mozart Orchestra Salzburg and the Konzertvereinigung Wiener Staatsopernchor; at the Residenzhof; Aug 11, 14
● Wozzeck: by Berg. Conducted by Claudio Abbado in a new production directed by Peter Stein, with sets by Stefan Mayer. Bryn Terfel sings the title role. With the Vienna Philharmonic and the Konzertverinigung Wiener Staatsopernchor; at the Grosses Festspielhaus; Aug 11, 15

**THEATRE**
Libussa: by Franz Grillparzer. New production directed by Peter Stein, with sets by Moidele Bickel; at the Perner-Insel; Aug 11, 12

## ■ SANTA FE

**OPERA**
**Santa Fe Opera**
Tel: 1-505-986 5900
● Arabella: Janice Watson sings the title role of Strauss's opera, in a new production directed by John Cox. The conductor is John Crosby; Aug 14
● Cosi Fan Tutte: Kenneth Montgomery conducts Mozart's opera in a new production directed by Nicolette Molnar and designed by Bruno Schwengl; Aug 11, 15
● La Traviata: Linda Brovsky directs this new production of Verdi's opera. Christopher Larkin conducts; Aug 12, 16

## ■ SCHLESWIG-HOLSTEIN

**CONCERTS**
**Music Festival**
Tel: 49-431-567080
● Oslo Philharmonic: conducted by Mariss Jansons in works by Nordheim, Bartók and Dvorák; at the Musikhalle, Hamburg; Aug 11
● Oslo Philharmonic: conducted by Mariss Jansons in works by Beethoven and Bruckner. With piano soloist Leif Ove Andsnes; at the Schloss, Kiel; Aug 12

## ■ TANGLEWOOD

**CONCERTS**
**Tanglewood Festival**
Tel: 1-617-931 2000
Pianist Ursula Oppens performs works by Wuorinen, Carter, Picker, Nancarrow and Rzewski; Ozawa Hall; Aug 11

## ■ WASHINGTON

**OPERA**
**Wolf Trap** Tel: 1-703-218 6500
The Marriage of Figaro: the Wolf Trap Opera Company performs Mozart's opera; Aug 14, 16

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*European Money Wheel*
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
*Financial Times Business Tonight*

**CNBC:**

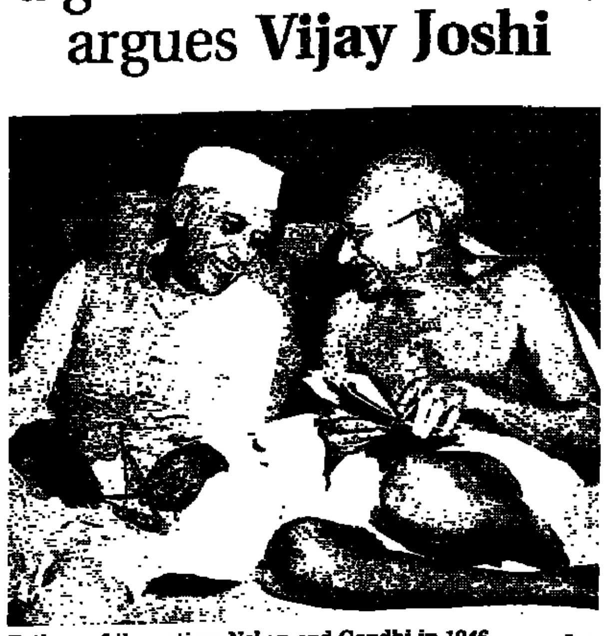
08.30
*Squawk Box*

10.00
*European Money Wheel*

18.00
*Financial Times Business Tonight*

# Indian path to reform

## Liberalisation requires a government rethink, argues **Vijay Joshi**



Fathers of the nation: Nehru and Gandhi in 1946 *Reuter*

Some of India's achievements in the past 50 years have been remarkable, indeed amazing. This vast and complex society has held together as one state since independence from British colonial rule in 1947, introduced and preserved democracy, and diluted traditional social hierarchies.

But its economic progress has been deeply disappointing. In spite of the rhetoric of socialism and despite (or because of) pervasive state intervention, poverty continues on a colossal scale. More than a third of India's 1bn people live in conditions of acute poverty; more than a third of the world's poor are concentrated in India.

*The goal of the next 50* years, building on the work of Mahatma Gandhi and Jawaharlal Nehru, the first prime minister, must be to spread prosperity widely without sacrificing democracy and civil liberties. In 1991, the government initiated a set of economic reforms, which constitutes a good start. But a long road lies ahead.

Rapidly rising living standards cannot be achieved by redistributive policies. Instead there must be a sustained increase in growth from the erstwhile "Hindu rate" of 3.5 per cent a year, and even from the 6 per cent achieved since the reforms began. Growth needs to reach 8 per cent.

All the same, fast growth is not enough. It is essential that economic expansion creates jobs, rather than displaces them. This is all the more important because India's labour force will increase massively for the next 25 years, even though population growth is slowing down. But what are the policies required to deliver rapid growth for all?

Three elements are particularly important – fiscal consolidation, liberalisation, and direct state action in certain specific areas, such as health and education.

Traditionally, India has followed prudent fiscal policies. But there has been a marked slippage since the 1980s. In spite of some reduction since 1991, public borrowing is still at unsustainably high levels. Since monetary expansion has rightly been kept in check to keep inflation low, fiscal profligacy has led to high real interest rates that deter investment. Fiscal stabilisation has been of poor quality in that public investment has borne the brunt, not public consumption.

What is needed is a budget that protects public spending on infrastructure and the social sectors. There is plenty of scope for this by widening the tax base, selling off public enterprises and, especially, by eliminating the massive subsidies that permeate the economy.

These have been estimated to exceed 10 per cent of gross domestic product. They include hidden subsidies to agricultural users of water and electricity, which are captured mostly by the rich. Charging more for electricity and water would lead to a more rational use of resources, and help correct under-investment.

The second element is liberalisation. There has been measurable progress since 1991 in loosening the economy from the grip of a byzantine system of controls. Industrial licensing has been abolished, interest rates deregulated and restrictions on inward foreign investment reduced.

But there is still much to be done. Import licensing has been eliminated for capital and intermediate goods but the consumer goods market, and agriculture generally, remain heavily insulated from the world economy by import and export controls. Scrapping these is essential for increasing trade and the demand for labour. Freeing up land, labour and capital markets must also be given high priority for the same reasons.

Another area of darkness is public sector reform. In theory, the abysmally inefficient public enterprises could be transformed without a change of ownership, by giving the companies greater autonomy and by encouraging competition. In practice, given India's political and bureaucratic culture, this is little more than a pious hope, with long-drawn-out decay and a waste of resources being the likely outcome.

Privatisation is therefore urgently needed, albeit with appropriate regulatory safeguards, particularly in the case of "natural monopolies" producing non-tradable goods. (So far the government's disinvestment programme has failed, which is not surprising since it has insisted on retaining majority ownership.)

Liberalisation and privatisation obviously involve a withdrawal of the state from the so-called "commanding heights". But this does not necessarily require a diminution of its role overall – only a redefinition. It has an enormous unfulfilled task in enhancing the labour-power of the poor by spreading primary healthcare and education. India's performance here has been inadequate.

There is much else that lies in the state's legitimate domain. It has to strengthen the legal framework, encourage technological development, and ensure the provision of infrastructure. Providing macroeconomic stability is the government's job; so is correcting market failures that harm environment and protecting those of the poor adversely affected by liberalisation in the short term. Paradoxically, making the state redundant in certain areas will itself require a strong state.

There is no doubt that a package can be designed to promote growth and equity in India without endangering macroeconomic stability. But can it be implemented? All reforms are likely to arouse strong political opposition, even though they would benefit the vast majority of people.

Such reforms can only be carried out by national and regional leaders committed to change and able to mobilise the popular support and trust on which the success of India's transformation ultimately depends. The supreme test for Indian democracy in the coming decades will be whether it can meet the political challenges necessary for true economic reform.

*The author is a fellow of Merton College, Oxford, and co-author with I.M.D. Little of India's Economic Reforms 1991-2001 (Oxford University Press, 1996)*

# ·LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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## Reality of pension funds' loss of dividend income being ignored

*From Mr Andrew Veglio.*

Sir, It appears, from their recent actions, that investment professionals are putting their self-interest above the interests of the pensioners they serve.

On July 2, Gordon Brown, the chancellor, abolished the Advance Corporation Tax credit for most tax-exempt investors, by which mechanism they reclaimed 25 pence from the government for every 100p of dividend declared by UK companies. At a stroke, the value of the dividend income stream that UK pension funds receive from UK companies was reduced by 20 per cent.

The long-term implications of this move are profound, at a time when pension funds' exposures to UK shares and the prices of these shares relative to their fundamental values are at all-time highs. The average dividend yield which is earned by pension funds on UK shares has fallen from 3.4 per cent to 2.8 per cent, its lowest level ever.

The potential for future dividend growth has been severely curtailed by windfall taxes, tougher regulation, increased pension funds contributions, the soaring exchange rate, rising short-term interest rates and secular low inflation.

Instead of shifting out of grossly overpriced UK shares yielding 2.8 per cent into appealing UK government bonds yielding 7 per cent the investment professionals draw inspiration from a rising Wall Street and push the UK share market to a record high. They pretend that the emperor's clothes look even finer than they did before Budget day. Overpaying for shares keeps them in champagne today, at the expense of pensioners' lower future incomes.

Meanwhile, they lobby the Financial Times, Datastream and the leading brokerage houses to continue quoting yields on a gross basis despite the fact that the overwhelming majority of investors in UK shares now receive dividends on a net basis, and that all investors will do so in two years' time.

In 1994 the government introduced the minimum funding requirement (MFR), which valued a pension fund's portfolio of UK shares on a normalised 4.25 per cent gross yield. If actuaries simply substituted the net yield for the gross yield about 40 per cent of pension funds would fail their MFR, requiring companies to provide cash injections and raise their ongoing contributions to their pension funds. Hence their earnings, cashflows, ability to raise their dividends, and inevitably their share prices, would suffer. Their pension funds would be mandated to shift from shares to bonds.

Investment professionals seek to postpone such an adjustment to their lifestyles at all costs. Hence they lobby the government to "relook" at the method of determining MFRs.

As the sage from the American Midwest, Warren Buffet, is fond of saying, "In the short term markets are voting machines – in the long term they are weighing machines". In the short term the investment professionals continue to vote with other people's savings. In the long term their current actions will be weighed and likely found wanton.

**Andrew Veglio,**
**director,**
**Vantage Investment Advisory,**
**3 St James's Place,**
**London SW1A 1NP, UK**

## Impression of hostility must be avoided

*From Mr John Stevens MEP.*

Sir, With regard to the UK government's approach on Lord Simon, it is obvious that the long march of Margaret Beckett, the trade and industry secretary, from the extreme left wing of her party, when she advocated the wholesale nationalisation of industry and commerce and the repatriation of powers from Europe, has not been sufficient to equip her to handle a delicate affair of this kind in a competent manner.

However, it would be unfortunate if Lord Simon's case gave rise to the impression that the Conservative party is in any way hostile to the participation of business people in government, especially as now such experience and understanding are surely needed.

It would be even more unfortunate if, as a consequence, the Conservative party further looked as though it were hostile to business in general and forfeited our natural position in British politics.

**John Stevens,**
**Conservative member of the European parliament,**
**39 St James's Place,**
**London SW1A 1NS,**
**UK**

## Lord Mayor must look to securing role

*From Mr R.D.K. Edwards.*

Sir, Amazing. Within the burst of publicity surrounding an elected mayor there was hardly a mention of the true successor of Whittington, The Lord Mayor of London ("Whittington's way back", July 30).

Could it be that this office has lost its significance in the eyes of Mr Blair's people and the readers of the Financial Times, so many of whom work in or have connections with the City?

The corporation, which is not under threat, contributes so much to those who come in to the City each day, but maybe the election processes of its leader need to be more closely examined if the Mansion House and its incumbent are to secure their status and important role before the new democratically acclaimed chief executive for London takes his seat.

**Derek Edwards,**
**5 North Pallant,**
**Chichester,**
**West Sussex PO19 1TJ,**
**UK**

## Pantomime poser

*From Mr Hugh Pincott.*

Sir, We have heard much about the "Goldilocks" economy in the US.

Few readers need reminding of the original pantomime's full title, "Goldilocks and the Three Bears". Would you be prepared to award a pot of honey to someone successful in naming the three bear questions most likely to spoil Goldilocks' party this time?

**Hugh Pincott,**
**Specialist Knowledge Services,**
**Saint Aldhelm,**
**20 Paul Street,**
**Frome,**
**Somerset BA11 1DX, UK**

## Outdated

*From Mr A. Dawson Paul.*

Sir, Increasingly companies are redesignating their shares with extraordinary nominal values as a result of capital reorganisations and dividend distributions in "B" shares. Surely the principle of nominal values is outdated and will become increasingly so if shares of leading international companies become denominated in euro. Is this not an opportune moment to persuade listed companies to denominate equity capital as ordinary shares of no par value?

**A. Dawson Paul,**
**Dennis Murphy Campbell,**
**6 Broad Street Place,**
**London EC2M 7DA, UK**

## Last recital

*From Ms Ingeborg Sai.*

Sir, Re your obituary of Sviatoslav Richter (August 4), the last London recital by Richter was not in January 1989; he gave two recitals in the Festival Hall, as well as in the Barbican Hall, in March that year. The programme at the Festival Hall was Schubert's Sonata in G, Schumann's Nachstücke and Prokoviev's Sonata No 4. As an encore he played Bartok's Three Burlesques op.8c.

**Ingeborg Sai,**
**flat 16,**
**69 Princes Gate,**
**London SW7 2PA, UK**

Personal View · **Richard Portes**

# The strength in numbers

### The more countries take part in Emu, the stronger the euro will be

As European countries fudge the Maastricht criteria for economic and monetary union (Emu), the argument is growing that a wide Emu means a soft euro.

Foreign exchange dealers take this view. The more countries go into the euro, the softer they think the monetary policy of the European Central Bank will be, the weaker the euro exchange rate and the less attractive its "constituent" currencies.

Others go further. Martin Taylor, the chief executive of Barclays Bank, has called upon the speculators to blow a "fudged" euro out of the water.

Such views are wrong. The truth is that the more countries take part in Emu, the stronger the euro will be. To see why consider the arguments for a weak euro in more detail.

It is true that the fiscal deficit maximum of 3 per cent of gross domestic product may be slightly breached by Germany and France. Then they will be indistinguishable from Italy on that criterion, while the Iberian countries may actually look better. So the criteria will be "fudged", all will go in, and the euro will begin with an inflation-devaluation slide.

The extreme version holds that only Germany and its near neighbours (monetary satellites) could jointly have a strong currency. Any others would dilute the monetary union. Even France, despite its efforts to maintain the *franc fort* for the past decade, could debase the new currency, especially under the new socialist-led government.

All this is nonsense. Whether a "soft euro" means a high-inflation region or a depreciating-exchange-rate region, the more countries that are in, the "harder" the new currency will be. There are two main reasons for this.

First, the more doubt the markets cast on the anti-inflationary credentials of the ECB, the more its governors will try to establish a reputation for monetary stability from day one. They will have the powers to do so. The Maastricht treaty provides extremely strong guarantees of central bank independence.

And they will be following their natural inclinations – or rather, their upbringing. Most, after all, will be central bankers – governors of the national central banks. Their president is likely to be Mr Wim Duisenberg, the new president of the European Monetary Institute. As governor of the Netherlands central bank, he was totally identified with the rigid link of the guilder to the D-Mark, simply following the Bundesbank's monetary policy.

Mr Jean-Claude Trichet, governor of the Bank of France, is said to be a candidate for the ECB presidency. He has invested his entire professional capital in the *franc fort* policy, which he sustained through the long, difficult period of speculative attacks in 1992-93. When they finally proved irresistible, and the "wide bands" were introduced in the Exchange Rate Mechanism, he continued the austere monetary policies that have kept the franc within the old "narrow band" around its central parity. Any suggestion that, as a Frenchman, he would want to run an inflationary regime, is laughable.

The central bank governors of Italy, Spain and Portugal have impeccable anti-inflation records. They have led the southern tier's highly successful war against lax macroeconomic policies. (Indeed, Mr Loukas Papademos of Greece, coming out of a much more inflationary environment, has succeeded brilliantly with monetary stabilisation.)

These central bankers have for many years been tough on inflation, tough on the causes of inflation. It is unimaginable that released from domestic political pressures, meeting in Frankfurt, they will suddenly become lax. The danger is rather that operating under a constitution that gives them even more independence, even less political accountability than the Bundesbank, they will meet the euro's initial uncertainties with an excessively tight monetary policy.

Suppose the "Club Med" were to relapse into fiscal indiscipline once freed from the constraints of the Maastricht convergence criteria. We would then have the same constellation of tight money and loose fiscal policies that produced the dollar appreciation under Reaganomics (and, some would say, the appreciation of sterling after the "Clarke boom").

The second reason why the euro is likely to be a strong currency is its emergence as a challenger for the international role of the dollar. Backed by a much higher GDP and share of world trade than Germany alone, the euro will immediately assume a more important position internationally than that of the D-Mark.

But the initial share of euro-denominated international assets will be much lower than the size of the euro bloc in the world economy. Once the international status of the euro is clear and the ECB's reputation is established, there will be a major portfolio shift into the euro – anywhere from \$500bn to \$1,000bn – to close most of the gap relative to the dollar.

The wider the euro area, the bigger the shift, the greater the appreciation of the euro. The more international transactions in euros, the cheaper those transactions, and the more attractive the euro will become to users. The bigger the economy behind the euro, the more independent are its monetary policymakers from external constraints and the less concerned about the current account deficit arising from a strong euro.

Most important are the capital markets. The more countries in the new currency area, the wider, deeper and more liquid its capital markets, and the more attractive they will be to portfolio managers. So bringing Italy and Spain into the euro area will *increase* the international reallocation into euro-denominated assets. (UK entry into the euro area would of course strengthen its capital markets even more.)

The supply of euro-denominated assets will respond. Liability managers will increase their offerings in euros, though new debt issue will be slower to adjust.

These two arguments suggest that the euro will be buoyed up by "over-compensation" by the ECB governors, and by international capital flows into the new currency.

That does not mean that the euro will be chronically strong. If the ECB follows an inflation-target strategy rather than trying to fix on monetary aggregates, that is likely to moderate the upward pressure on the exchange rate. It would be still more stable if the ECB took the exchange rate explicitly into account, rather than following a policy of "benign neglect".

*Richard Portes is director of the Centre for Economic Policy Research.*

COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Monday August 11 1997

# Even hands in Middle East

Mr Dennis Ross, President Clinton's Middle East peace envoy, is back shuttling between the Israeli and Palestinian leaderships in an attempt to get them back to the negotiating table. After four months without talks US intervention is welcome and vital. But Washington's arbitration will only succeed if it is, and is seen to be, more even-handed than it has been until now.

There is some indication that the Clinton administration, for the first time, is preparing to press Mr Benjamin Netanyahu, Israel's prime minister, to stop the expansion of Jewish settlement on Arab land – while continuing to insist that Mr Yassir Arafat, the Palestinian leader, renew security co-operation with Israel. If so, that is the sort of balance that is needed to rebuild trust on both sides.

The talks broke down in March after Mr Netanyahu decided to build the new Jewish settlement of Har Homa in south-east Jerusalem, shutting off the occupied Arab east of the city from the West Bank. The future of Jerusalem, along with other sensitive issues such as final borders, the Jewish settlements and the return of Palestinian refugees, is supposed to be negotiated as part of a final settlement, due by May 1999.

The remaining shreds of the peace partnership the Oslo accords of 1993-95 were supposed to build were then torn away after Mr Arafat suspended security co-operation with Israel. This was immediately construed by Mr Netanyahu as a "green light" from the Palestinian authorities for the return of the suicide bombers.

## Suicide bombings

It is true that the Palestinian authorities have alternated between repression and co-option in their efforts to face down Hamas, the Palestinian Islamist group behind most of the suicide bombings and the main political challenge to Mr Arafat's position. But there is no evidence that the Palestinian leader has either encouraged or colluded in the attacks.

All but one of the bombers emerged from areas under Israeli, not Palestinian, control. Israel has been unable to discover where the men behind last month's double bombing in a crowded west Jerusalem market emerged from. Be this as it may, there are signs that the Americans are taking a fresh look at the situation and at the dangers of a continuing vacuum in the peace process.

## Substantive speech

Last week, Mrs Madeleine Albright, US secretary of state, made her first substantive speech on the Middle East. She did not demand "100 per cent success" against the bombers from Mr Arafat, but "100 per cent effort". Mr Netanyahu's aides choose to construe this as support for his position. But they would be foolish to ignore the rest of what she said.

Echoing President Clinton's remarks last week that peace is "a two-way street", she also called on Israel to forgo unilateral acts – like the expansion of settlements in the West Bank and continuing Israeli colonisation of east Jerusalem – which pre-empt the outcome of any final settlement. She reaffirmed US commitment to the exchange of conquered Arab land for Israeli peace, and stated that "peace must address the legitimate political rights of the Palestinian people."

Mrs Albright's speech marks a welcome – and overdue – re-engagement by the US administration with the Middle East. Even Syria has hailed it as "a step in the right direction".

Quite rightly, the US is demanding guarantees on Israelis' security. But equally important, it is beginning to spell out the price rather than extend a blank cheque. Mr Arafat must co-operate, but he can only do so effectively if Israel stops handing ammunition to his, and its, opponents – for example through its settlement policy. Mr Ross said yesterday "there is a political dimension to be addressed". The US is the only outside power that can help the parties do so.

# Russian octopus

Mr Vladimir Potanin is a man with a very large appetite, and very sharp teeth. In the course of the past few weeks, his Oneximbank group has bought the state's shares in the biggest Russian telecommunications group, Svyazinvest, and in the Norilsk mining group, the largest nickel producer in the world. He has now set his sights on acquiring the last big state-owned oil company, Rosneft, when it is privatised later this year.

The sale of Svyazinvest to a consortium led by Oneximbank was an encouraging development. It was the first big privatisation in which the Russian state received a reasonably fair price, and the winning consortium also included some of the foreign investors that Russia so desperately needs.

The purchase of Norilsk was different. The auction was conducted by Oneximbank itself, because it had already gained provisional control of the group in the notorious "loans for shares" swap of 1995. Only one other bidder was allowed, and the price paid by Oneximbank was far below the shares' market value.

In this, the privatisation of Norilsk was unfortunately no different from that of most of Russia's principal extraction industries. Disappointed rivals like Mr Boris Berezovsky have scant moral right to complain, since they have benefited from similar deals in the past. The losses to the Russian state from this abuse of the privatisation process have been immense, and have contributed significantly to its present fiscal crisis.

The only justification for the way privatisation has been conducted will be if men like Mr Potanin now actually develop the industries that they have acquired. All of them badly need huge capital investments.

## Raw materials

So far, the overall record of the new magnates on this has been lamentable. Despite the vast amounts of personal wealth acquired from raw materials exports and stored away in the west, even leading Russian banks like Onexim do not have anything like the cash required to re-tool their subsidiaries. Most have also acted in ways acutely discouraging to western investors, and especially strategic ones. They have resisted essential measures like publishing properly audited accounts and allowing any real influence to minority shareholders.

## Losing candidate

There is some reason to hope from the example of Svyazinvest that Mr Potanin, for one, has the vision to recognise his need for outside capital and the intelligence and self-restraint to act in ways that will encourage it. If so, his group could become a positive force in the Russian economy and indeed beyond.

However, even if some of the new magnates do now prove rational and productive economic actors, it is too soon to assume that a line can be drawn under the manner in which they acquired their wealth. The reasons are twofold: political, and moral. Politically, while Mr Potanin has great power, he is also vulnerable. If he backs a losing candidate at the next presidential elections, then the victors could do Oneximbank severe damage.

Moreover, they might be able to do so quite legally – by investigating past privatisations. The other magnates could suffer too. They like to compare themselves to America's 19th century robber barons, who later became respectable pillars of society: but those men were not nearly so politically exposed.

Finally, there is the moral issue. Russia, like any country, does not prosper or fail only according to the behaviour of its great businessmen. It depends also on the honesty of its judges, the conscientiousness of its civil servants, the courage of its policemen, and a recognition of its legitimacy by the population as a whole. But to tell an ordinary policeman not to steal state property in a Russia dominated by its present business class would be, to say the least, paradoxical.

# Master of the universe

## Gerard Baker considers the reputation of the chairman of the Federal Reserve Board

When Mr Alan Greenspan was appointed to the chairmanship of the US Federal Reserve Board 10 years ago today, he set out his vision of the future.

His term of office, he said with heavy irony, would be a period marked by the familiar economic landmarks of years past: "Inflation, which always stays put; the stock market, which is always a bull; the dollar, which is always stable; interest rates which always stay low; and employment, which always stays high."

To general laughter he dedicated his term of office to "those who have the capability of repealing the laws of arithmetic".

Ten years later, some people are beginning to wonder whether Mr Greenspan might not have pulled off just such a feat. As he prepares to embark on his second decade in the chairmanship, the US economy has seldom been in better shape. Virtually all the ambitions he breezily laid out 10 years ago have been fulfilled.

Economists and politicians argue heatedly about what might have been responsible for this benign state of affairs. They differ over the extent to which the globalisation of business, improvements in new technology or even the end of the cold war might have played a part. And they differ over how long the good times will last. But few dissent from the proposition that, whatever the state of the US economy, Mr Greenspan's role in managing it has been critical.

"We had thought about just giving you a standing ovation and saying let's go home," one senator told him last month when he appeared before Congress to give his half-yearly testimony on the state of the economy. "A national treasure" is how another senator has described him.

It is this kind of tribute that has ensured Mr Greenspan a place in the pantheon of the world's central bankers. But what precisely has he done to deserve the plaudits? And, as he contemplates several more years in the job, can he continue to enjoy such a strong reputation?

There have been, broadly, two distinct phases to the Greenspan years. Both demonstrate, in different ways, the centrality of the Fed's role in US economic performance of the past decade.

The first, between 1987 and 1992, was a time of almost continuous crisis management as the domestic US economy reeled from stock market crash to recession to banking crisis. The second period, beginning in 1992, has been one of greater stability, though arguably it has posed even more of a test for the chairman. In both periods Mr Greenspan came under heavy fire.

His first term could hardly have got off to a worse start. Within two months, the Fed's carefully plotted course for reducing inflation was torn up by the stock market crash of October 1987. The Fed had been gradually raising interest rates in the months before the crash, but was forced into a U-turn by the events of that October. Its policy-making open market committee had to deal with the overriding fear that the fall in the stock market would reduce demand in the real economy as investors retrenched because their wealth had been sharply reduced. It loosened monetary policy in late 1987.

Those fears proved groundless, but it was too late. Inflation accelerated in 1988, forcing the Fed to slam the brakes on again.

He was criticised for this in hindsight. But at the time, most analysts agreed that Mr Greenspan and his colleagues made the right decision. They had no choice but to ease policy in spite of the inflation spike. "For all the criticism, he did exactly what he was supposed to do after the '87 crash," says Mr David Hale, economist at Zurich Kemper, the investment advisers. "He pumped liquidity into the system and helped avoid a disaster."

The next crisis Mr Greenspan faced came on less suddenly, but presented even greater difficulties. At the end of the 1980s, the over-extended US economy began to face serious financial difficulties. Reckless lending policies had begun to bring down hundreds of savings and loans institutions. Speculative investment in property had encouraged dubious lending practices even by the most respectable of banks.

When property prices began to fall, thousands more financial institutions collapsed. By 1990, the contraction had turned into a fierce recession, as banks stopped lending. A full-scale credit crunch was under way.

The Fed's critics argue that Mr Greenspan reacted too slowly to the development, perhaps because it was still trying to recover from the post-1987 inflation. The central bank began steadily cutting interest rates in 1990, but the process was painfully slow and did not stop the unfolding financial crisis.

"Nibbling around the edges," was how Mr James Tobin, the economist described the policy. Under intense political and financial pressure Mr Greenspan at last agreed in December 1991 to cut short-term rates by a full percentage point – an unusually large reduction – in a belated effort to bale out the banking system.

Mr Greenspan's defenders say the sharp cuts in interest rates around this time may have been late, but they were enough to stop the rot. And it is true that the banking system had largely overcome the crisis within a few years. But it had been a close-run thing. And President Bush and his closest colleagues never quite forgave Mr Greenspan for failing to act sooner in a way that might have saved their political skins.

Having negotiated what he described as these "50 mile per hour headwinds" Mr Greenspan entered the second phase of his chairmanship, the start of what many regard as his finest hour.

The main and most difficult task for any central bank is to pursue a monetary policy which maintains growth without allowing inflation to get out of control. Since economies generally veer between inflationary and deflationary pressures, this means the authorities must adjust interest rates not only by the right amount but, crucially, at the right time to head off emerging booms or busts. The difficulty is that interest rates have a lag of a couple of years before they have their full effect.

Since the expansion got fully under way in 1992, the Fed can claim some credit for it. The bank's most important achievement, though, came in 1994, when, with only slim evidence of early inflationary pressures, it gradually tightened policy, acting pre-emptively to forestall the risk of a surge in prices.

In the event, the Fed doubled interest rates in a year. The timing was precise. By 1995, inflationary pressures had subsided almost as soon as they had begun and the Fed was able to cut rates again. Economists attribute this success principally to Mr Greenspan's judgment.

"He has a remarkable grasp of the detail of the economy," says one former member of the Fed's Board of Governors. "That enables him to spot dangers almost the moment before they appear."

But Mr Greenspan is no "inflation nutter". In the past few months, the Fed has abstained from raising interest rates.

And Mr Greenspan has come closer than central bankers usually permit themselves to endorsing an optimistic view of the economy. This view holds that US performance has fundamentally improved in the 1990s in a way that enables the economy to grow faster without an acceleration of inflation. It is shared by a number of economists, though not by all of Mr Greenspan's colleagues at the Fed.

The chairman is not a full convert to this "New Paradigm" school of economic thought, but he has shown himself to be a pragmatist: he is willing to admit the possibility that the foundations of monetary policy might have shifted in recent years.

As he put it in his most recent testimony to Congress: "Important pieces of information, while just suggestive at this point, could be read as indicating basic improvements in the longer-term efficiency of our economy. The Federal Reserve has been aware of this possibility ... and has operated with a view to supplying adequate liquidity to allow the economy to reach its highest potential."

Some believe Mr Greenspan's toughest challenge could yet be to come: in the form of turmoil in the equity markets.

Last December, he famously wondered aloud whether equity prices might have become overvalued, driven higher by the "irrational exuberance". After a brief correction, stock prices resumed their upward flight as investors decided they disagreed with the Fed chairman.

This presents Mr Greenspan with a problem. If stock prices are indeed overvalued, he knows that a downturn will follow. Should he try to forestall the risk by gently deflating the market in advance? That might seems prudent – but what if the market is not overvalued? The Fed could lose credibility rapidly if Mr Greenspan's warnings fall on deaf ears.

As Mr Hale remarks: "There is still plenty of room for his reputation to collapse. If we get a market crash or some other wreck, he could yet be in for a roasting."

# · O B S E R V E R ·

## Pushing out the boat

■ Barclays Bank of the UK isn't proving to be the most popular fish along the Piraeus waterfront. Its decision to end an ill-fated venture in Greek ship financing by selling its loan portfolio to Midland Bank – owned by HSBC – isn't going down well with the local tycoons.

It's not so much the fact the bank has pulled out – having originally been talked by a Greek shipowner into a disastrous shipbuilding venture in the early 1990s – it's the way they've done it.

Shipping bosses tend to cultivate close relationships with their bankers, who in return come to expect regular invitations to lunch at the exclusive Marine Club and the occasional Aegean cruise. But tycoons demand loyalty in return and Barclays' decision to get out without first signalling the deal to blue-chip customers hasn't gone down well.

One big Barclays client – Pleiades Shipping - is refusing to move across to Midland while the Onassis group saw what was coming and moved elsewhere. A third disgruntled borrower is Ceres, operator of Greece's biggest merchant fleet. Chief executive Peter Livanos is used to being treated tactfully by bankers but he might yet decide to stay put, thanks to Nikos Karellis, Midland's cheerful and persuasive head of shipping. Along with Alexandra Papadopoulou, his well-connected sidekick, Karellis is pushing out the boat to try and repair the damage.

## LA law

■ It's tough on the streets of Los Angeles – and it'll be a lot tougher if city prosecutor Gil Garcetti gets his way. He's had just about enough of the activities of LA's infamous 18th Street gang and is seeking an all-purpose injunction against gang members. Civil rights activists are apoplectic.

Garcetti wants to prohibit nearly 300 gang members in the city's Pico-Union neighbourhood from even walking down the street in groups of more than three. He's also trying to ban them from having pagers or mobile phones. "We will use every tool available to us to put an end to gang terror, whether it's police power, legal know-how or anything else," says Garcetti. It's not the first time that the authorities have tried to impose draconian measures on southern California's street gangs. The authorities in San Jose recently won Supreme Court backing for a similar, but smaller, clamp-down. But the LA move has stirred up a constitutional hornet's nest – hardly surprising in a city with nearly as many lawyers as gangsters.

## Crossed lines

■ Ask MCI. You can't please all of the people all of the time.

The US communications company has already had differences of opinion with merger partner British Telecommunications; BT took umbrage when MCI recently warned it could lose up to $800m this year on expanding local US telephone markets.

The warning, which blasted local phone companies for not opening up markets, clearly had one eye on the regulators, who have to enforce last year's telecoms legislation. But MCI's pessimism also caught the attention of BT shareholders, who demanded to know why their company was paying more than $20bn – to throw away millions more in efforts to penetrate monopolistic markets.

Now comes a suitably schizophrenic announcement from MCI to residential consumers in New York. "MCI announces local service for New York," it trumpets, before changing tone rapidly to admit the sales potential is limited because of "seriously flawed" systems operated by cable company Nynex.

There follows a prolonged rant against Nynex's alleged anti-competitive practices and its failure to comply with the 1996 Telecom Act. MCI may gain the regulators' sympathy – but it might not excite local customers – or BT.

## Uncovered

■ So Playboy magazine, that arty little number for gentlemen of a certain age, is the latest business with one eye on the world's biggest market to be accused of kow-towing to the sensitivities of the Chinese.

Novelist Paul Theroux is accusing Playboy of "standing shoulder to shoulder" with the Chinese authorities by refusing to print an extract of his recent novel about Hong Kong. Theroux claims the magazine accepted but later refused to publish part of *Kowloon Tong*, apparently banned in China because of unflattering depictions of mainland Chinese businessmen. Jonathan Black, Playboy managing editor, is reported as saying the extract was dropped after senior management expressed concern about the book's impact on the lucrative market for Playboy products in China. In Beijing, it seems, exposed businessmen are one thing – exposed pin-ups are quite another.

The Financial Times

## 100 years ago

**The Gold Rush**
New York, 10th August. Several rich discoveries of gold are reported. A hundred men are now at work at the East Pacific mine at Winston, near Butte City, Montana. Gold to the value of $300,000 is reported in sight, while silver was struck at the Alhambra mine on Saturday. A rich ledge discovered in Weak's Ranch in Santa Cruz County assays from $7 to $11 to the ton. It is reported from Virginia City, Nevada, that the hills in the vicinity of Topnotch are alive with prospectors, and that gold rock yielding $20 to the ton has been struck.

## 50 years ago

**Trading In Japan**
Tokyo, 9th August. S.C.A.P. (Supreme Command of the Allied Forces in the Pacific) to-day announced lists of British and Canadian companies who can send representatives to Japan for the reopening of private trading on 15th August. The British list includes several companies, among them the Chartered Bank of India, Australia and China and a number of insurance houses including The Commercial Union Insurance; Norwich Union Insurance; Willis, Faber and Dumas (insurance brokers).

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## New victims expected in 'sokaiya' row

# Yamaichi staff set to go in finance scandal

**By Gillian Tett in Tokyo**

Japan's widening financial scandal is expected to claim a fresh round of victims today, with the resignation of several senior executives at Yamaichi Securities.

Yamaichi, the country's fourth-largest securities house, is one of several financial institutions under government investigation for links with corporate racketeers.

Japanese media reported yesterday that Yamaichi, the weakest of Japan's leading brokers, would remove a core group of directors at an emergency meeting today, including the president, chairman and five vice-presidents.

The company was yesterday unavailable for comment. However, the pattern of the media reports indicated it had leaked the details.

The scandal has already caused a sharp drop in Yamaichi's share price. The shares closed at Y229 onFriday, less than half their level at the beginning of this year.

Resignations at Yamaichi would be a further indication of the increasing impact of the government's investigations on the Tokyo financial community. The government appears determined to crack down on corporate scandals before its "Big Bang" financial deregulation.

Yamaichi was first touched by the scandal when government prosecutors raided the company in late July over allegations that it had financial links with *sokaiya*. These are the corporate racketeers who have traditionally demanded payment from Japanese companies in exchange for not revealing sensitive information about them.

Nomura, Japan's largest securities company, and Dai-Ichi Kangyo (DKB), one of its largest banks, have admitted in recent weeks that they had links with *sokaiya*.

The Japanese authorities punished both groups at the end of July: Nomura was barred for several months from part of the domestic markets, and DKB suffered a temporary ban on part of its banking business. Following the revelations, both announced the resignations of senior executives.

Mr Ryuichi Koike, the *sokaiya* at the heart of the Nomura scandal, has since told prosecutors that he also had links with several other companies. In particular, it has emerged that Mr Koike owned shares in all four leading securities houses – Nomura, Daiwa, Nikko and Yamaichi.

Government investigators are now alleging that Yamaichi made payments of Y79m ($669,400) in early 1995 to Mr Koike, partly through illicit payment on the Singapore International Monetary Exchange.

The revelations have already prompted the resignation of Mr Tsugio Yukihira, Yamaichi chairman, from his post as head of the Japan Securities Dealers' Association. Several corporate customers and public sector groups have also ceased business with Yamaichi.

Today's resignations would include Mr Yukihira, Mr Atsuo Miki, Yamaichi president, and five vice-presidents, Yamaichi officials told the Japanese media.

Mr Shoji Saotome and Mr Shohei Nozawa, two managing directors, would be appointed chairman and president respectively, the officials said.

Yamaichi has been facing mounting financial problems. Between April and June this year it recorded a Y5.4bn loss. Banking analysts suspect the company would be badly hit if the Japanese government decided to impose the type of penalty handed out to Nomura.

The government is currently also investigating Daiwa and Nikko over their links with Mr Koike. Both companies have refused to comment on the investigation.

However, senior officials at Daiwa have denied any knowledge of improper dealings with Mr Koike.

# Strong foreign interest in sell-off of Italian bourse

**By Vincent Boland in London**

International banks and stockbrokers are showing keen interest in buying into the Italian stock exchange when it is sold at auction in a private placement next month.

Mr Francesco Cesarini, chairman of the stock exchange council, which runs the market, said several foreign institutions as well as big Milan-based banks and brokers had approached it about taking stakes.

"There has been considerable interest so far and lots of requests for information, including several from abroad," he said.


Chairman Francesco Cesarini

Milan-based bankers say the Italian Treasury and the Bank of Italy are showing "strong support" for the involvement of foreign institutions.

Privatisation of the Borsa Italiana will be the climax of reforms in the past few years that have changed the face of Italian financial markets. It is seen as an essential step in drawing new business to Milan and away from competing exchanges, especially those in London and Frankfurt.

A 51 per cent stake in the borsa has been reserved for institutions licensed to deal on it; the rest will be available to other buyers. Bids are being invited for stakes in the borsa, starting on September 2. The treasury has put a minimum value of L40bn ($22.3m) on it.

No single bidder can take more than 5 per cent of the exchange in the auction, but each will be free to sell its stake or increase it once the sale is complete. Bids are due to be opened on September 9.

Mr Cesarini said the sale would allow the market to "meet the increasingly diversified requirements of investors, issuers and intermediaries".

Though privatisation will leave the borsa with multiple owners, it is expected to be acquired eventually by Sint, a company formed by Milan's leading banks and brokers and the Italian units of some of the big foreign investment banks.

Mr Leonardo Pagni, managing director of Salomon Brothers in Milan and a Sint board member, said Sint was likely to have acquired ownership of the bond and futures markets by the end of November and was "working on the assumption that it will take a majority stake in the stock exchange".

Sint would then create a single entity and a more unified trading system and enhance its chances of competing with other European markets, especially after the arrival of the European single currency.

A taste for shares, Page 18

# KGB man takes his literary revenge on Yeltsin

**By John Thornhill in Moscow**

A decade ago it would have been unimaginable for a former KGB general to publish his memoirs, let alone a lurid picture of life in the Kremlin under a hard-drinking, erratic and emotional president.

But Mr Alexander Korzhakov, former presidential bodyguard and confidant, is about to do just that.

Mr Korzhakov, who stood alongside President Boris Yeltsin for 11 years in the political wilderness and in presidential pomp, was abruptly sacked in June 1996 for conspiring to scupper the second round of the presidential elections and over corruption allegations.

Subsequently elected an MP this year – giving him immunity from prosecution – Mr Korzhakov has a score to settle with his former boss as the title of his near-500 page book, *Boris Yeltsin: From Dawn to Sunset*, suggests.

The collection of gossip, extracts of which have appeared in the Russian press, does appear to contain some revelations. There is, for example, a claim that Mr Yeltsin could not leave his aircraft at Shannon airport to meet the Irish prime minister in an infamous 1994 incident because of a suspected heart attack, unreported at the time. It was widely believed then that he had had too much to drink.

The book has many unintentionally comic touches, as in its descriptions of Mr Boris Berezovsky, head of the Logovaz car dealing business, now deputy head of the security council, trying to ingratiate himself with Mr Yeltsin by giving ever-more extravagant presents to the president's daughter.

Drink is a recurrent theme of the book as is Mr Yeltsin's fondness for playing the spoons – even on the bald heads of visiting dignitaries.

The irreverent Sovershenno Sekretno (Top Secret) journal, which has published a summary of the book, says Mr Korzhakov prefaces his memoirs with a quotation from Talleyrand, Napoleon's adviser: "The whole people would be in horror if they knew what petty-minded people ruled over them."

But the journal's reviewer, who claims he wanted to take a shower after reading the book, appears to have been as offended by Mr Korzhakov's claims to patriotism as by any of Mr Yeltsin's alleged misdeeds. "To make it really funny he writes about his own patriotism after his descriptions of his boozing boss."

Editorial Comment, Page 13

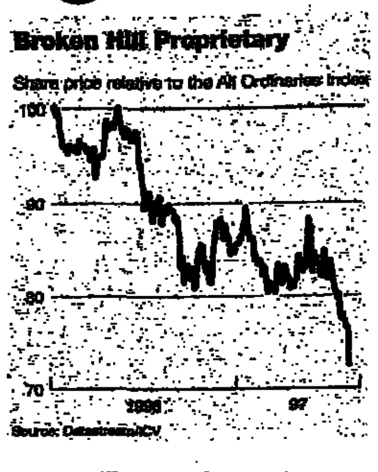
## THE LEX COLUMN

# Breaking Broken Hill

Losing one senior executive is unfortunate, the loss of two is careless, but the loss of three in one week by Broken Hill Proprietary (BHP) suggests a crisis. If bodies were being thrown out in a programme of rationalisation and reorientation, investors might be delighted. BHP's shares are comfortably below their level of January 1995, and its return on invested capital has been pitiful – so change is required. But last week's moves smack instead of an entrenched management raising defences.

The latest departure, that of petroleum chief Mr John O'Connor, was sparked by an argument over whether his division should be spun off. And it is easy to see why BHP's management would want to keep it. When a group is making unacceptably low returns and it sheds its best performing business, that leaves the rest looking exposed. But from a shareholders' point of view, that is exactly what is needed.

Of course, breaking up a conglomerate can expose hidden eyesores as well as value. But since oil exploration and production companies are valued differently from steel or transport, there should be immediate valuation benefits from separation. And petroleum would have no difficulty standing on its own. But more importantly, a demerger would increase pressure on management to turn around poor performances and spiralling costs elsewhere in the group. That means everything from steel and transport to Magma, its copper acquisition, which cost A$3.2bn (US$2.4bn) in 1996 and contributed next to nothing in 1997.




## UK defence

Dogs that bark in opposition may not bite in power. Recent events suggest Labour may not be at all bad for Britain's defence industry. The government still clings to the rhetoric that arms will not be sold to regimes that might use them for internal repression or external aggression. But the approval of tank and jet sales to Indonesia, *despite atrocities in East Timor*, suggests that the practical effect will be marginal. The episode shows Labour grappling with the realities of power: high ethical standards are only one consideration to be set against protecting jobs at home and maintaining influence abroad.

Similarly, Labour's strategic defence review seemingly holds few dangers for arms sales at home. The review will not lead to an increase in the defence budget; but more than token cuts are unlikely. Mr Tony Blair, like many prime ministers before him, has no desire to weaken Britain's defence capability. The review could lead to a shift of emphasis from fighting tank battles in central Europe to deploying rapid-response units further afield. If anything, that could increase demand for sophisticated weaponry. Labour will also be looking for savings from the procurement process. But the main thrust will be to streamline the process not squeeze suppliers' margins – and savings may be recycled into the procurement budget. Meanwhile, by saying it is predisposed to buy 40-50 military transport aircraft from Airbus, Labour has indicated a more "buy British, buy European" inclination than the Tories.

## Shorting

Here is an oddity: why do UK institutions so rarely sell short? After all, it must be just as easy to spot a share which will fall as one which will rise. And although institutions can and do just go underweight, it is strange that more aggressive positions are not taken more often.

Essentially there are two explanations. One is that selling a share you do not own is considered dangerously risky. And in one way, it is: own a share and the worst outcome is that it falls to zero; short it and the downside is theoretically infinite. But the problem is slightly academic – how often do share prices double? In any case, if this were institutions' only worry, they could cap their liability relatively cheaply through derivatives. The argument would anyway be more compelling if many pension fund trustees did not routinely ban shorting while permitting far riskier gambles like warrants.

But trustees' bigger concern is that shorting shares could attract the attention of the Inland Revenue; shorting, the fear runs, could be regarded as "trading" (taxable) rather than "investment" (tax-free). This would, of course, be a nonsense. The Revenue agrees that the point of the distinction is to reserve pension funds' tax advantages for genuine investments, not to favour one kind of investment – however racy or short-term – over another. So institutions and trustees have nothing but over-zealous tax inspectors to fear, and they would probably be overruled; this hardly seems a reason to leave good potential gains to hedge funds.

## UK regulation

Britons are supposedly great respecters of fair play, but it seems utility regulators are an exception. On the face of it, the rules of Britain's regulatory game are clear enough: privatised utilities and their regulators periodically tussle, but if they cannot agree the Monopolies and Mergers Commission arbitrates as an independent umpire. This elaborate set of rituals works fine – provided, that is, the players abide by the referee's conclusions.

Which is why it is so unfortunate that not one but two regulators in recent weeks have unilaterally decided not to. The gas regulator, not content with her thumping victory over BG, is proposing to tighten the thumbscrews further – she reckons the MMC should have based its conclusions on more up-to-date information, an argument that would be stronger if the MMC had not explicitly covered her preferred data in its report. Meanwhile, the Northern Irish power regulator has confirmed that he plans to fiddle with the MMC's methodology, knocking £36.5m ($59.5m) off Northern Ireland Electricity's regulatory value in the process.

Both proposals make a nonsense of the regulatory process. But it is *not just over-zealous regulators* at fault; the root of the problem is vague privatisation legislation which lets them get away with it. The government could and should clarify the law, giving the MMC's reports clearly conclusive status. Indeed, this is precisely the sort of reform which should be on the agenda of the government's current review of regulation.

## FT WEATHER GUIDE

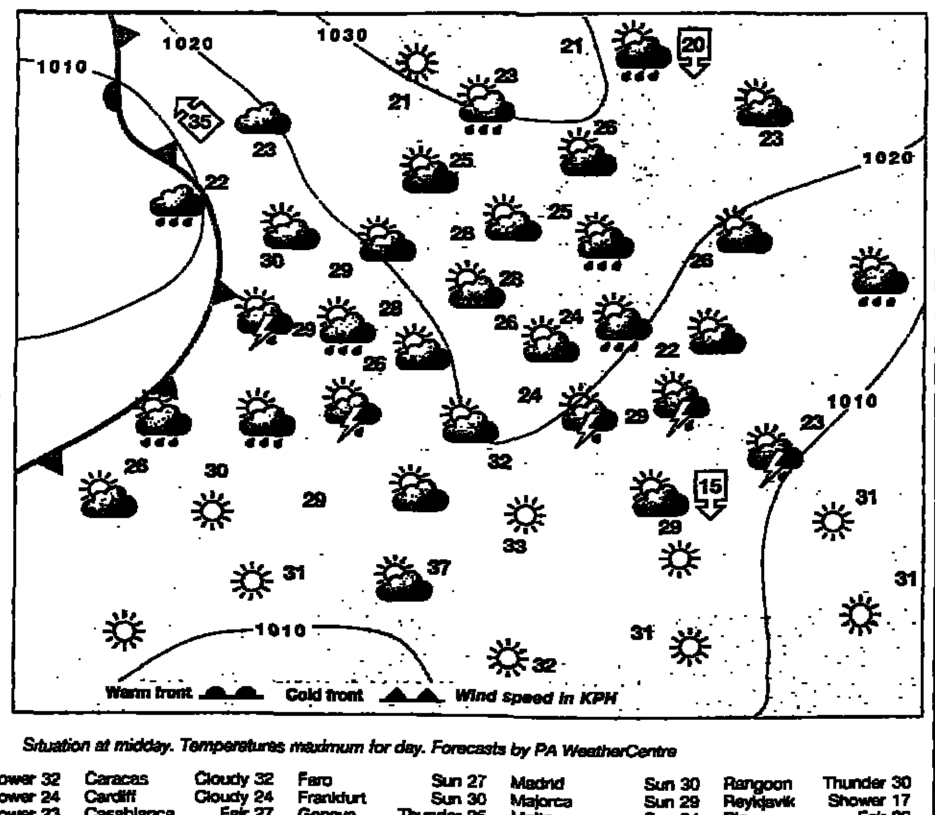
### Europe today

Most of the Mediterranean will be fine and hot with hazy blue skies and almost uninterrupted sunshine, although one or two thunderstorms will break out late in the day over inland Greece, north-west Italy, southern France and north-eastern Spain.

Thundery weather will also affect north-west France, south-west Britain and much of Ireland, and there will be showers and thunderstorms over the Balkans and in northern Russia. Germany, Benelux, central Europe, Poland, the Baltic and southern Scandinavia should be fine and very warm.

### Five-day forecast

It will be sunny and hot over much of Europe, but showers and thunderstorms will spread across northern France, Benelux, most of the UK and Ireland. Ukraine, Romania and Bulgaria will be unsettled with widespread thundery showers and near-average temperatures. Northern Scandinavia will be cloudy and relatively cool.




**TODAY'S TEMPERATURES**

*Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre*

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Maximum Celsius | Beijing | Shower 32 | Caracas | Cloudy 32 | Faro | Sun 27 | Madrid | Sun 30 | Rangoon | Thunder 30 |
| | | Belfast | Shower 24 | Cardiff | Cloudy 24 | Frankfurt | Sun 30 | Majorca | Sun 29 | Reykjavik | Shower 17 |
| Abu Dhabi | Sun 42 | Belgrade | Shower 23 | Casablanca | Fair 27 | Geneva | Thunder 25 | Malta | Sun 34 | Rio | Fair 22 |
| Accra | Fair 27 | Berlin | Sun 28 | Chicago | Fair 22 | Gibraltar | Sun 28 | Manchester | Cloudy 27 | Rome | Fair 32 |
| Algiers | Thunder 31 | Bermuda | Shower 30 | Cologne | Sun 30 | Glasgow | Cloudy 25 | Manila | Thunder 33 | S. Frsco | Fair 23 |
| Amsterdam | Ffair 29 | Bogota | Cloudy 19 | Dakar | Fair 30 | Hamburg | Sun 29 | Melbourne | Hail 13 | Seoul | Rain 30 |
| Athens | Fair 29 | Bombay | Thunder 31 | Dallas | Sun 36 | Helsinki | Fair 21 | Mexico City | Fair 26 | Singapore | Rain 33 |
| Atlanta | Thunder 32 | Brussels | Fair 29 | Delhi | Thunder 33 | Hong Kong | Rain 32 | Miami | Thunder 33 | Stockholm | Fair 23 |
| B. Aires | Fair 23 | Budapest | Fair 22 | Dubai | Sun 43 | Honolulu | Fair 32 | Milan | Fair 27 | Strasbourg | Fair 30 |
| B.Ham | Cloudy 29 | C.Hagen | Sun 25 | Dublin | Shower 22 | Istanbul | Thunder 23 | Montreal | Thunder 26 | Sydney | Rain 20 |
| Bangkok | Thunder 35 | Cairo | Sun 33 | Dubrovnik | Fair 26 | Jakarta | Shower 31 | Moscow | Cloudy 23 | Tangier | Fair 27 |
| Barcelona | Sun 29 | Cape Town | Fair 19 | Edinburgh | Cloudy 22 | Jersey | Thunder 21 | Munich | Sun 27 | Tel Aviv | Fair 31 |
| | | | | | | Karachi | Fair 33 | Nairobi | Fair 23 | Tokyo | Thunder 29 |
| | | | | | | Kuwait | Sun 45 | Naples | Sun 31 | Toronto | Shower 23 |
| | | | | | | L. Angeles | Fair 26 | Nassau | Fair 32 | Vancouver | Sun 27 |
| | | | | | | Las Palmas | Fair 26 | New York | Fair 29 | Venice | Sun 27 |
| | | | | | | Lima | Fair 24 | Nice | Thunder 29 | Vienna | Fair 26 |
| | | | | | | Lisbon | Sun 26 | Nicosia | Sun 31 | Warsaw | Fair 25 |
| | | | | | | London | Fair 30 | Oslo | Fair 21 | Washington | Thunder 31 |
| | | | | | | Lux.Bourg | Fair 28 | Paris | Thunder 29 | Wellington | Shower 13 |
| | | | | | | Lyon | Thunder 30 | Perth | Fair 17 | Winnipeg | Rain 21 |
| | | | | | | Madeira | Sun 26 | Prague | Sun 28 | Zurich | Sun 28 |

FINANCIAL TIMES
# COMPANIES & MARKETS




Monday August 11 1997 Week 33


## IN BRIEF

### United Utilities chief may go

The future of Sir Desmond Pitcher (left) as executive chairman of United Utilities is in the balance ahead of a crucial board meeting at the UK multi-utility tomorrow. Following a highly embarrassing public boardroom row several executives and non-executives are said to be pushing for Sir Desmond to be ousted from the company immediately. Page 16

**Questions raised over strategy at BHP**
Friday's resignation of Mr John O'Connor from the board of BHP ended a week that wiped more than A$2bn (US$1.47bn) off the Australian resources group's shares. Mr O'Connor's resignation was the third of a BHP director in a week. Questions are being now being raised about whether BHP, Australia's biggest company, has got a grip on its managers. Page 17; Lex, Page 14

**Televisión Azteca plans IPO**
Televisión Azteca, Mexico's second-largest broadcaster, has confirmed its plans to proceed with a global initial public offering this week, handled by the Mexican financial institutions Inbursa and Serfin. Page 16

**Cinven backs £55.5m Macarthy buy-out**
Cinven, one of the UK's leading private equity specialists, is backing the £55.5m ($90.46m) management buy-out of the Macarthy Group, the drugs manufacturing arm of Lloyds Chemists. The buy is Cinven's fifth in the health market, and follows a £1.1bn deal last month to acquire the UK and French hospital and healthcare assets of Compagnie Générale des Eaux. Page 16

**Telstra float expected in November**
Mr John Fahey, Australian finance minister, said his government was on course to list one-third of the shares in Telstra, the country's telecommunications giant, in November. The offer, expected to yield over A$10bn (US$7.3bn) for the state, will probably be the biggest float in the world over the next year. Page 17

**BASF signs $700m deal with Petronas**
BASF, the German chemicals group, has signed a $700m joint venture agreement with Petronas, the Malaysian state-owned oil company, to build a petrochemical complex in Malaysia. Page 16

**Crédit Lyonnais sells Portuguese assets**
Crédit Lyonnais, the French state-owned bank, has signed an agreement to sell its Portuguese retail operations to the Spanish group Caixa Galicia. The action is the latest in a series of asset sales linked to a 1995 restructuring plan. Page 17

**Stearns of Columbia/HCA quits**
Mr Robert Stearns, the chief financial officer of Columbia/HCA, the troubled US healthcare group, has resigned with effect from August 31. The company said Mr Stearns had been "hired by the previous management" on July 21. Page 16

**PQ Africa to be black-controlled**
Black business in South Africa will own a majority stake in the country's leading computer company. The result of the Persetel and Q-Data merger will be separated into local and foreign interests, the South African ones being called PQ Africa. Some 51 per cent of PQ Africa will be sold to black businesses to promote black economic empowerment. Page 16

**BZ Trust would back bid for Winterthur**
Speculation over the future of Winterthur, Switzerland's third-biggest insurer, has increased following news that BZ Trust, its biggest shareholder, would welcome Winterthur's takeover by Credit Suisse. Page 16

**Companies in this issue**



**Market Statistics** http://www.FT.com



## US accounting body to resist pressure from Greenspan to revise proposals

# Financial regulator fights to keep derivatives scheme

The US financial reporting regulator will this week resist pressure from Mr Alan Greenspan, chairman of the US Federal Reserve, to ditch controversial proposals requiring companies to mark derivatives to market.

Under this scheme, companies would have to introduce fair value reporting for derivatives – reporting their current value in company accounts, rather than the value for which they were originally bought – from January 1 1999.

Officially the Financial Accounting Standards Board is "studying" a letter from Mr Greenspan calling for a rethink on the proposals.

But officials at Norwalk, the board's headquarters, insist there is no need for a further consultation document. It plans to write to the Fed today on the issue.

New chairman Mr Ed Jenkins and the rest of the board have been heavily criticised since publishing the proposals last month. The board wants derivatives marked to market – and any losses or gains taken through earnings.

However, special treatment is allowed for hedging – with gains or losses deferred until the hedge is completed. But crucially the board, while allowing hedging, will lay down strict rules on which transactions qualify.

Ed Jenkins: plans aroused widespread business fears

Earlier this month more than 20 US business leaders – mostly leading bankers – wrote to Jenkins expressing worries about the potential impact of the new rules. They said Norwalk was rushing into the project and that the upheaval would undermine companies' ability to manage risk while preparing for the year 2000 problem and the introduction of a European single currency.

Greenspan had similar complaints, saying the proposals would not improve accounting for derivatives and "would constrain prudent risk management". He suggested expanding disclosure of derivatives – at fair value – in supplemental financial statements. He envisaged "competition" between the two sets of statements with the market using the most useful.

But the board's supporters think the banks are leading a campaign to delay the introduction of the mark to market approach. Supporters further suggest that some companies use derivatives to manage earnings by retrospectively recognising transactions as part of a hedge to defer losses and gains.

Supporters of the board also question why the proposals should have such a dramatic effect when US companies are already required to disclose derivatives at fair value – in other words mark them to market. "What are the analysts doing with this information now ?" asked one supporter of the board.

The board is not alone in its attempts to push ahead with the standard. In May, Mr Michael Sutton, chief accountant at the Securities and Exchange Commission, praised the proposals and the fact that the board had tinkered with them to meet complaints from companies about hedge accounting. "It seems to me that the board has worked hard to try to address the legitimate concerns of its constituents without undermining the integrity of the project," he said.

Alan Greenspan: shared business leaders' reservations

He acknowledged that there would be greater volatility in earnings when companies use derivatives which do not qualify as hedges under the new rules.

"Reporting that volatility, however, is not the same as reporting artificial volatility. Rather it is capturing, in the financial statements, real economic events that often are not reported today."

The SEC believes the board's proposals are necessary – especially as it estimates that at the end of 1995 the notional amount of derivatives outstanding in the US was more than $20,000bn.

In the past the board has had to revise some of its standards – but only after Congress or the SEC has stepped in. With the SEC behind it, Norwalk looks like it is preparing to ride out the storm. If it can get the standard through, the new international code for accounting on the world's leading markets – due to be endorsed next year – is likely to take up the US approach. If it has to publish the standard again as a consultative draft, a solution could be years away.

"What Greenspan is saying is an immense step backwards," said David Cairns, editor of the World Accounting Report.

**Jim Kelly**

# UK-based bank plans to report results in dollars

By George Graham in London

Standard Chartered, the UK-based international bank, is planning to switch its accounts into dollars to avoid the swings in its results caused by sterling's fluctuations against the currencies it deals in.

The deciding factor for the bank is the approach of European monetary union, due to start on January 1 1999. Where other UK-based multinationals are contemplating using euros in their accounts, even if the UK fails to adopt the currency, Standard Chartered sees the euro as further removed from its operations than the pound.

"It would be a nightmare to translate from dollars to pounds to euros," said Mr Peter Wood, finance director.

Although it started life as an offspring of the British Empire, following the Union flag to Africa, India and south-east Asia, Standard Chartered has virtually no operations left in the UK apart from Chartered Trust, a finance and leasing affiliate.

By the time it has paid its UK taxes, the bank ends up with a net annual deficit in sterling and has to use its holdings in other currencies to buy in pounds.

More than 80 per cent of its operations are carried out in dollars or currencies whose exchange rates have formal, or informal, links to the US dollar, such as the Hong Kong dollar or the Indonesian rupiah.

Standard Chartered last week reported a drop in interim profits to £434m. The fall came in translating its overseas earnings into sterling, which rose to an average exchange rate of $1.63 in the period from $1.53 last year.

A switch to dollar accounting would face few legal obstacles. UK public companies need a minimum capital of £50,000, denominated in sterling, but the Stock Exchange's rules create no problems.

Peter Wood: warned of currencies 'nightmare'

Investment analysts also acknowledge that the move would make sense.

"As far as I'm concerned, given the nature of their business, it would be more logical," said Mr John Leonard, London banking analyst at Salomon Brothers, the US-based investment bank.

Mr Ian Poulter, banks analyst at Williams de Broë, added: "If they do the majority of their business in countries pegged more or less to the dollar, it wouldn't be such a daft thing to do."

Standard Chartered raised the idea of switching to dollar accounting a few years ago, but met resistance from institutional investors. This time, instead of asking institutions what they think, it plans to tell them it will move unless they raise strong objections.

But some investment institutions are concerned at the thought of having to convert Standard Chartered's earnings back into sterling to compare with other banks in their portfolios.

# Emerging markets deal for Peregrine

By John Ridding in Hong Kong

Peregrine Investment Holdings, the Hong Kong-based investment bank, is to acquire the emerging markets operations of Carnegie, the Nordic investment bank, for an undisclosed sum.

Peregrine said the deal would expand its presence in the sector, complementing its existing businesses in Asia.

"Increasingly, clients do not look at the emerging market regions separately, but rather as a single asset class," said Mr Andrew Jamieson, chief executive of Peregrine Securities International. "For this reason we've taken the opportunity to acquire a business which will give us exposure to emerging Europe, the Middle East and North Africa."

Under the terms of the deal, Carnegie's 26-strong emerging markets team, which covers corporate finance, trading and research, will move to Peregrine. Carnegie Emerging Markets produces research on companies in Poland, Turkey, Israel and Greece, and is also active in Egypt, Hungary, Morocco, Romania and the Czech Republic.

"These markets are at a stage where emerging Asia was 10 years ago," said Mr Jamieson. The growth potential was "huge", he added, noting that in the case of emerging Europe stock market capitalisation was just 19 per cent of gross domestic product. This compares with about 67 per cent for emerging Asia.

The deal completes Carnegie's refocus on its Nordic operations. The company has offices in all Nordic countries as well as in London, New York and Luxembourg.

# FCM set to retain electricity pensions business

By William Lewis in London

Foreign & Colonial Management is expected to retain the business of managing a substantial part of one of the UK's biggest pension funds when bidding for investment contracts begins in the autumn.

F&C Management, which is controlled by Germany's Hypo-Bank, paid £53m ($86.39m) last year for ESN Pension Management Group and a two-year contract to manage the electricity industry pension scheme's assets of £15.5bn.

However, from April 1998 the 21 companies that are members of the scheme, which include National Power, PowerGen and the regional electricity companies, may take on new fund managers.

Pension trustees will hold "beauty parades" in October at which they will hear presentations from FCM and up to three other shortlisted fund management groups.

Competition for the contracts is fierce and the UK's leading fund management groups are marketing themselves intensively to trustees and their actuarial advisers.

"This is the biggest beauty parade the pensions industry has seen for years," one consultant said.

"Everyone wants to get something out of this," said an executive of a leading fund management group.

F&C Management refuses to say how much business it expects to retain. However, analysts expect FCM, whose management of the scheme's assets has made it one of the largest institutional fund managers in the UK, to retain at least half of the business.

Industry executives say that deregulation of the UK's electricity supply market next year means they are keen to avoid significant changes to pension schemes they sponsor.

"With all the other issues confronting the industry at present, the amount of money being moved around will not be as great as people may imagine," said Mr David Jefferies, chairman of National Grid, the electricity transmission company for England and Wales, its pension fund, and the board of trustees of the electricity industry pension scheme.

FCM has improved on its investment performance record this year. Mr David Manning, deputy chief investment officer of Foreign & Colonial, said: "While performance when we first took over ESN may not have been as robust as we would have liked, we are now outperforming our competitors and are confident this is going to continue".

FCM is fund manager of the Foreign & Colonial Investment Trust and other trusts. Its strategy in buying ESN was to use it as a platform to develop its small pension funds management business.

# BT shares may fall as stock goes ex-dividend

By Virginia Marsh in London

Shares in British Telecommunications, which have fallen sharply since its proposed merger partner MCI issued a profits warning last month, are expected to slide further today when the stock goes ex-dividend.

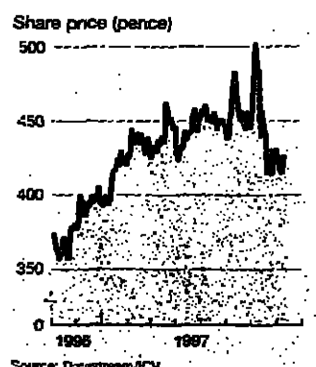
Telecoms analysts predict the shares will fall by at least 47p – the amount BT will pay to shareholders on the register before today.

"These shares are not going to go ex-dividend well," said one analyst. "There is no doubt the shares have been artificially supported by the large dividend. Income funds have been waiting for this day for ages and in the meantime there's been the bad news from MCI."

BT shares have lost more than 10 per cent since MCI announced in mid-July that its efforts to expand into the US local calls market would cost $800m this year.

The profits warning has prompted the companies to review their merger plans, amid demands from some BT shareholders that the UK company should pull out if it cannot renegotiate the merger terms. Results of the review are not expected before the end of August.

**British Telecom**




Source: Datastream/ICV

After their heaviest week of trading, BT shares closed last Friday at 426½p, up 10¼p on the day and 2½p on the week, as investors bought the stock ahead of the ex-dividend date. Friday's price compares with a level of 477¼p before MCI's surprise announcement.

The dividends comprise a final of 11.95p and a 35p special payout ahead of BT's planned takeover of MCI. BT is offering 5.4 of its own shares plus $6 cash for each MCI share.

At 426½p, its offer for the 81.3 per cent of MCI it does not own is worth about $23.2bn. When the deal was struck last November, the offer was worth about $20bn. Some analysts say the shares could fall to 340p in the coming days, even without news of the review.

"However, unless there are new developments, we don't believe the shares will go much below 340p-350p, because at that level the yield starts to look very attractive," said an analyst. The market is expecting a dividend of about 19p for the year to March 1998.

Some institutional investors – who have seen BT shares plummet from a high of 502½p last fall – are also expected to hold on to their shares until the review is concluded.

Hopes in the market of a second special dividend to BT shareholders were dampened last week when it said this would constitute renegotiation of the deal – something MCI appears determined to resist.

Observer, Page 13

# Pitcher's future at United in the balance

By William Lewis, Investment Correspondent

The future of Sir Desmond Pitcher as executive chairman of United Utilities is in the balance ahead of a crucial board meeting at the UK multi-utility tomorrow.

Following an embarrassing public boardroom row, several directors are said to be pushing for Sir Desmond to be ousted immediately.

However, amid intensive private negotiations over the weekend, Sir Desmond has been fighting a rearguard effort to persuade boardroom colleagues to support him at the meeting and present a united front to shareholders tomorrow afternoon.

"This thing has now gone too far," one of the company's advisers said last night. "Something, rather someone, has to give." The company's official spokesman said: "They are having a board meeting but we are not going to comment on it".

The long-running row stems largely from personality clashes between Sir Desmond and a number of former and current directors. The dispute intensified last week when it emerged that Sir Peter Middleton, a non-executive director of United, had been canvassing opinion in the City about Sir Desmond's role.

Several shareholder groups have told Sir Peter that the company should put in place a new succession plan which would involve Sir Desmond perhaps becoming non-executive chairman this year. The shareholder groups are concerned that the current succession plan would see Sir Desmond and Mr Derek Green, chief executive, both step down in 2000 when the water industry's new price formula takes effect.

However, other shareholders are partly blaming Sir Peter for artificially stirring up their concerns and there are conflicting accounts as to whether Sir Desmond knew of Sir Peter's decision to visit shareholders.

At the end of last week, Sir Peter and other United directors attempted to play down the extent of United's boardroom troubles, but over the weekend attitudes appear to have hardened. Sir Desmond has gone on "a one-man war," one adviser said. "He started it and now it has to be finished."

Some directors are said to want to re-examine last month's departure of Mr Brian Staples, who resigned as chief executive of United after he had apparently lost the confidence of the board.

Sir Desmond still hopes to persuade United's directors to stick to their original plan and present a new succession plan to shareholders in October.

Sir Peter is yet to complete his meetings with shareholders – at least one is due to be held in September – and some directors want to ensure the opinions of all fund managers have been heard before a decision is made on Sir Desmond's future.

# BZ Trust says it would back bid for Winterthur

By William Hall in Zurich

Speculation over the future of Winterthur, Switzerland's third biggest insurer, has grown following news that BZ Trust, the manager of its biggest shareholders, would welcome Winterthur's takeover by Credit Suisse.

BZ Trust, a quoted investment fund run by Mr Martin Ebner, Switzerland's best-known corporate predator, has told its shareholders it would sell the stake to Credit Suisse as part of a move to create Switzerland's biggest financial conglomerate, with a market capitalisation of SFr60bn ($40bn).

The Credit Suisse deal is one of three scenarios envisaged by BZ Trust for the Winterthur stake, which has been built up during this year. The others involve BZ Trust taking majority control or selling the stake to a foreign insurance company.

BZ Trust believes that with a strong shareholder behind it Winterthur could double its profits in a relatively short time.

Mr Ebner left it to two of his junior executives to sign the letter to BZ Trust shareholders – but it bears all the hallmarks of a financier who likes to shake up sleepy managements.

Winterthur shares have nearly doubled this year and have risen by more than a third since the trusts Mr Ebner controls, BK Vision and Stillhalter Vision, began raising their interest to about 20 per cent from May.

Although Mr Ebner has said he has a high regard for Winterthur's management, the latest announcement is the clearest sign that his investment is a hostile move.

# Cinven invests £55.5m in Lloyds Chemists unit

By Emiko Terazono

Cinven, one of the UK's leading private equity specialists, is backing the £55.5m management buy-out of the Macarthy Group, the drugs manufacturing arm of Lloyds Chemists.

The acquisition is Cinven's fifth in the health market, and follows a £1.1bn deal last month to buy the UK and French hospital and healthcare interests of Compagnie Générale des Eaux.

Macarthy is the last of three operations to be sold by Gehe, the German pharmaceutical wholesale group which bought Lloyds for £684m earlier this year.

Last week, Gehe announced the sale of the Holland & Barrett health-food chain for £100m to NBTY, a Nasdaq-listed US vitamin manufacturer and retailer. The German group sold Lloyds' veterinary drugs business in June.

Macarthy, whose main trading subsidiary is Martindale Pharmaceuticals, is a leading supplier of injectable and other special medicines.

Macarthy's management will remain in place and will be joined by Mr Brian Linden and Mr Jonathan Clarke of Cinven as non-executive directors.

*Cinven, which manages* about £1.5bn on behalf of three clients – British Coal Pension Schemes, Railways Pension Schemes and Barclays Bank Pension Fund – said it was looking for further acquisitions. "Rather than businesses, we're looking to buy individual niche drugs at the tail of portfolios of large companies," said Mr Linden.



ATHENS STOCK EXCHANGE August 4th - August 8th 1997 GREECE

| | | | | | |
|---|---|---|---|---|---|
| | | | | GDP (USD bn) 97e | 111.58 |
| ASE INDEX | 1639.44 | P/E (after tax) 97e/96e | 15.2/18.5 | Per Capita Income (USD) | 10,729 |
| %Chg (31/12/96) | 75.63 | EPS GROWTH (%) 97e | 22.9 | Inflation Rate (% Y.O.Y, July '97) | 5.40 |
| Yearly High | 1755.66 | P/E 97e / EPS GROWTH (%) 97e | 0.66 | August 12 M T-Bill rate (%) | 9.60 |
| Yearly Low | 932.38 | P/CE 97e/96e | 11.9/14.5 | 1-Month Athibor (%) | 11.97 |
| WEEKLY VOL (USD m) | 186.73 | P/BV 97e/96e | 3.4/3.8 | GRD/US$ (August 8, 1997) | 292.55 |
| %Chg (Prev. Wk) | 22.25 | Div. Yield (%) 97e/96e | 3.8/3.0 | | |
| 1 Y Wk Avg Vol (USD m) | 383.09 | | | A.S.E. Market Capitalisation - 8/8/97 (USD bn) | 35.53 |
| | | | | IPOs & Rights Issues (in USD m) Jan 1 '97-August 8 '97 | 1,308.22 |

# Patient Danes give no thought to quitting

MD Foods is still committed to the UK despite losses, says **Maggie Urry**

This morning, an aeroplane is landing at Stansted airport carrying both the management and the supervisory board of MD Foods, the large Danish dairy group. The 20 directors – including the 15-strong supervisory board, which represents the 9,000 dairy farmer-owners of the co-operative – will begin a two-day tour of the group's UK facilities.

The trip is a significant one. It is, says Mr Kim Nielsen, chief executive of MD Foods International, the subsidiary which owns the UK business, "a clear signal to our customers, suppliers and staff of the importance and expectations attached to our UK operations, and of our total commitment to its success".

Kim Nielsen: focused on working closely with key retailers

It will be an even clearer signal to its competitors. Rumours have circulated for months in the milk industry that MD's losses in the UK would persuade it to withdraw from the market. That may have been wishful thinking, as the intensely competitive dairy industry has seen profits squeezed.

Even though MD has always said it was in the UK for the long term, a recent circular on the dairy sector, by Henderson Crosthwaite, the brokers, referred to "MD's stubborn refusal to *say Uncle" [to concede* defeat].

It now seems clear that MD has not the slightest intention of quitting. Indeed, from a Danish perspective, it could hardly afford to.

The UK is much the largest single market for the group – which dominates its Danish domestic market. Denmark's population is only about a tenth of the UK's, and MD's 85 per cent share of the Danish dairy market leaves it little scope to expand there.

Two-thirds of its business is outside its home country. *It exports its Lurpak butter* and Danish Blue cheese around the world, and, as well as in the UK, it has plants in South Korea, Brazil, and Saudi Arabia.

After exporting to the UK for many years, MD made its first move into UK production in 1990, when it acquired Associated Fresh Foods, a Leeds-based dairy business, for £92.4m. Since then it has made three more sizeable acquisitions, the latest being Lord Rayleigh's Dairies a year ago, and upgraded plant, too. Its total investment in the UK is estimated to reach some hundreds of millions of pounds.

Its six dairies have 16 per cent of the UK liquid milk market, while Lurpak has 23 per cent of the branded butter market. Even so, in the *financial year to June 30* 1996, MD Foods International lost £22m.

Mr Knud Eric Jensen, chairman of the supervisory board, says the group is financially strong enough to carry short-term losses because the long-term strategy is sound.

In the last year, MD has: launched a £55m capital investment programme to modernise all its UK sites, of which £25m has been spent so far; made the Lord Rayleigh's purchase; launched new products such as Lurpak Spreadable butter and *Tastes Like Fresh longlife* milk; and is soon to announce further launches of branded milk products.

Mr Nielsen says, "our whole business focus has been retuned to working closely with key retailers." This has allowed MD to gain "a much clearer understanding of where to target resources and investments" to best effect, concentrating on five sectors – liquid milk; fresh dairy products; speciality cheeses; butter; and fruit juices.

Mr Jens Bigum, group managing director of MD, says "the UK represents a land of opportunity" for his company. As well as providing a big market for the UK and Danish plants, it gives the group a larger base from which to supply retailers "on *a pan-European basis into* the next century".

Mr Nielsen concedes that competition in the UK dairy market is intense, with "too many milk producers chasing too few customers". Like others in the industry, he expects further rationalisation, takeovers and alliances, such as the recent Avonmore/Waterford merger in Ireland.

MD will play a part in this restructuring, he says, hinting that it could make more acquisitions. "MD is in the UK market to stay," he stresses, while companies *lacking the "vision,* resources and will to invest" will "by default, change the shape of the industry".

NEWS DIGEST

## SEC moves on Victorias Milling

A management committee will be formed to oversee the rehabilitation and operation of Victorias Milling, the financially troubled Philippines company, a Securities and Exchange Commission officer said yesterday.

Victorias is the flagship company for the ailing Philippine sugar industry and the largest sugar refiner in Asia. The highly-uncompetitive sugar industry has yet to find a convincing answer to global competition. It has been watching debt-strapped Victorias closely as the fate of the company will affect the whole sector.

"In view of the urgency of the matter; the grave social and economic consequences, the hearing panel resolved to grant the request for a regular management committee," said Ms Rosalina Tesorio, the SEC hearing officer. The committee will be made up of two representatives from secured bank creditors, two from unsecured bank creditors, two from the company and one from the SEC, said Ms Tesorio.

Ms Tesorio held a closed-door hearing on Friday to discuss the petition by Victorias to create a management committee to help restore it to sound financial standing after years of losses brought about by low sugar prices in the domestic market.

Victorias was recently granted a moratorium to pay its debts amounting to 4.423bn pesos ($155m) owed to 32 financial institutions. One bank had already filed a foreclosure proceeding against its marketing arm, while two *other banks have filed civil suits for damages arising* from allegedly worthless collaterals.

Under the rehabilitation plan, Victorias will upgrade its facilities over the next five years, sell its non-essential assets and seek new investors to inject fresh money into the company. *Reuter, Manila*

## BASF, Petronas in venture

BASF, the German chemicals group, has signed a $700m joint venture agreement with Petronas, the Malaysian state-owned oil company, to build an integrated petrochemical complex in central Malaysia.

The complex, situated on a 180 hectare site in Kuantan on the east coast of the Malaysian peninsula, is part of a series of investments announced last year by BASF aimed at expanding its Asian operations.

By 2001, the group plans to spend between 25 per cent and 30 per cent of its DM30bn ($16.2bn) investment budget in Asia. This marks a change of direction from the previous five years, when it committed only 5 per cent of its DM23bn budget to Asia.

The complex, which will comprise an acrylic acid plant with an annual capacity of 340,000 tonnes, and an oxo-alcohol plant with annual capacity of 220,000 tonnes, will be 60 per cent owned by BASF and 40 per cent by Petronas.

The acrylic acid plant is due to begin operations in 2000, and the oxo-alcohol plant in 2001. The complex will make chemicals for the textile, leather, paper, plastics and adhesives industries. *Sarah Althaus, Frankfurt*

## Televisión Azteca plans IPO

Televisión Azteca, Mexico's second largest broadcaster, has confirmed its plans to proceed with a global initial public offering this week, handled by the Mexican financial institutions Inbursa and Serfin.

The offer of 23.92 per cent of the company's stock, will list shares on the New York Stock Exchange and Seaq, as well as on Mexico City's bolsa, and is planned to raise between 4.4bn and 5bn new pesos ($563m–$640m).

The company has an option to increase the offer by 15 per cent. The offer is primarily aimed at allowing minority shareholders to cash in on their initial investment in the company. *Daniel Dombey, Mexico City*

## Columbia/HCA CFO quits

Mr Robert Stearns, the chief financial officer of Columbia/HCA, the troubled US healthcare group, has resigned with effect from August 31. The company said Mr Stearns had been "hired by the previous management" on July 21. The news came on Friday, a day after the nation's largest for-profit hospital chain said it would widen disclosure of its Medicare cost reports, impose a new review system on Medicare coding procedures and adopt a new regulatory compliance programme. *Reuter, Nashville*

## Piltel profits down 66%

Pilipino Telephone Corporation (Piltel), the Philippines' main mobile phone operator, saw net profits for the first six months of 1997 dive 66 per cent to 165.8m pesos ($5.8m) from 487.6m pesos a year earlier.

Fraudulent and non-paying customers have pushed the company's operating expenses up 26 per cent to 2.1bn pesos, limiting revenue growth to only 6.2 per cent year-on-year to 2.57bn pesos from 2.4bn pesos. Revenues were also stunted by interest payments that expanded "other charges" to 244.3m pesos from 89.5m pesos.

Telecoms analyst Mr Russel Ong of Anscor Hagedorn Securities said the figures came as no surprise in view of *the company's* poor first-quarter performance. "The company suffered a huge write-off of bad debts, which were incurred due to cloning and delinquent accounts," he said. "They now had to begin cleaning up those accounts." On Friday Piltel shares inched up to 12.00 pesos from 11.50 pesos at the close of trading on the Philippine Stock Exchange. *Neri Tenorio, Manila*

## ADB raises $300m in US

The Asian Development Bank (ADB) has launched a $300m public bond issue in the US with Morgan Stanley Dean Witter as lead manager on a bought-deal basis.

The bonds were priced at 100 per cent, with a coupon of 6.22 per cent payable semi-annually, and a 30-year maturity. The issue will be unlisted and has put options every five years starting on the 10th year.

Settlement and clearing will be through the Federal Reserve book-entry system. The Manila-based ADB said *the proceeds* would be part of its ordinary capital resources used in non-concessional lending operations. *Neri Tenorio*



# Black business to own most of PQ Africa

By Mark Ashurst in Johannesburg

Black business is set to acquire a majority stake in South Africa's leading computer company, following last week's announcement of a merger between Persetel and Q-Data. The deal will create the country's largest information technology group, with a market value of about R12bn ($2.6bn), and clear the path for black business to take control of its local operations.

Mr Leen van der Bijl, Q-Data chairman, confirmed that the merged group intended to separate its South African business from its foreign interests, which include Persetel subsidiaries Comparex and Telemation AG. The local businesses, which contribute about 39 per cent of Persetel's operating profit and more than 90 per cent of the smaller Q-Data's earnings, would form a new company to be known as PQ Africa. About 51 per cent of the new company would be sold to black businesses to promote black economic empowerment.

The move could also precede a separate listing of the new group's international interests on a foreign bourse. Persetel has recorded strong growth from supplying mainframe systems to emerging markets in eastern Europe, and is currently pursuing a joint venture in Latin America.

Analysts said a demerger that vested control of the local business in the hands of black investors would enhance its prospects of winning lucrative government contracts.

The transformation of South Africa's government bureaucracy has stimulated a sharp increase in demand for new information technology and consultancy services. To encourage black economic empowerment, the state tender board has introduced regulations to favour companies with black business partners.

The merger follows both the resignation of Mr Piet den Boer, the former Q-Data chairman, and the unbundling of Q-Data's ultimate parent, Anglovaal Industries, the conglomerate demerged last year from the Anglovaal mining house. Analysts said Mr den Boer quit earlier this year after he opposed previous merger talks.

The deal could enable Kunene Brothers, a family-run industrial group which began trading in the 1970s as a chilled drinks distributor in the townships outside Johannesburg, to emerge as a dominant group in South Africa's fast-growing information technology industry.

Prior to the merger announcement, Kunene was poised to acquire about 30 per cent of Grinaker Holdings, a subsidiary of Anglovaal Industries with interests in Q-Data. Mr Chris Veegh, analyst at Deutsche Morgan Grenfell, said the merger would dilute Grinaker's interest in the new group to less than 3 per cent.

But Mr Keith Kunene, chairman, confirmed he would lead a consortium of black business groups in a bid for a larger stake. Persetel is also believed to be in talks with another black business group which could emerge as a potential partner, or rival, for Kunene.

Analysts applauded the merger, which they said would enable Q-Data to market software products to Persetel's larger customer base. "There are great synergies from both sides," said Mr Chris Veegh, analyst at Deutsche Morgan Grenfell.

# Telstra float expected in November

By Elizabeth Robinson in Sydney

The Australian government yesterday said it was on course to list one-third of the shares in Telstra, the country's telecommunications giant, in November.

Mr John Fahey, finance minister, said if applications for shares exceeded the number available to the public, those who reserved an offer document by September 12 and later took up the offer would receive at least 50 per cent more than the minimum allocation.

The Telstra offer, which is expected to yield more than A$10bn (US$7.3bn) for the government, is likely to be the biggest privatisation in the world over the next year.

Offer documents will be sent out in October with the listing likely in the second half of November, subject to market conditions. Some 65 per cent of the shares on offer will go to Australian investors and institutions.

Mr Fahey said the government was considering a sale in two instalments, but investors would receive full dividend rights immediately. He also confirmed that a further 3.8 per cent of the shares would be reserved for Telstra's 69,000 employees, who would be offered incentives to buy.

They will be allocated one free share for every four bought to a maximum of 500 free shares and will be offered interest-free loans to help finance the purchases.

Mr Frank Blount, Telstra chief executive, will stay on the board until at least the end of the year. "The board has been appointed. Their term extends way beyond the sale," said Mr Fahey.

He added that the government had not considered further sales of its stake.

Telstra, which reports its annual results later this month, is expected to announce write-downs of up to A$1.5bn, mainly on its cable investment.

Last week Mr Ian McLachlan, defence minister, said talks were continuing on the cost to Telstra of getting out of a A$1.1bn radar system contract with Lockheed-Martin and Transfield Defence Systems. He hoped investors in Telstra would know the company's liabilities before the sale. Software difficulties at the Jindalee Operation Radar Network contract have put it behind schedule.

The Telstra privatisation is one of five planned international telecommunications share offerings this year. Telecom Italia, and – probably – France Telecom will be floated through initial public offerings. Bankers put the combined value of the stakes that may be sold at about $15bn. There should also be a third tranche of Portugal Telecom and a stake in Hungary's Matav.

# Questions raised over strategy at BHP

## A string of resignations has left investors in 'The Big Australian' concerned over its future

Friday's implosion at the heart of BHP, ending a week that wiped more than A$2bn (US$1.47bn) off the Australian resources group's shares, has left investors wondering if BHP has got a grip on its management.

The resignation on Friday of Mr John O'Connor, the head of BHP's petroleum division, followed the retirements of two other directors earlier in the week. Mr John Prescott, the company's chief executive, said he accepted Mr O'Connor's resignation "with regret", but the departure of the outspoken Irish oil man only two years after he joined the group opens up questions about BHP's future strategy.

Mr O'Connor was well known to have favoured a spin-off of his division, which last year made profits of A$693m against BHP's A$410m after write-offs.

Last week matters came to a head, when in a briefing with analysts he was said to have outlined his proposals, arguing that the petroleum unit was undervalued.

Mr Prescott admitted the board went some way towards looking at a petroleum spin-off. It appointed external advisers and had reached the stage where it understood some of the alternatives, but decided a float was not in the interests of the group as a whole. "It is not in the overall interest of the company to extract value from petroleum. It has been an important part of BHP for some time and of managing BHP's exposure to commodity markets."

Mr Jerry Ellis, BHP's chairman, said spin-offs were not a strategy that BHP rejected. The different rationale of Mr O'Connor and Mr Prescott is easy to understand.

Over the past three years BHP Petroleum has injected A$3bn into the group – and its assets, which include a half share in the Bass Strait fields, could reach A$18bn.

Mr O'Connor is thought to have favoured a partial flotation, which he believed would unlock the additional value of the petroleum division while still allowing BHP to benefit from its recent strong performance.

Some investment bankers argue that oil subsidiaries of conglomerates are rarely valued at the same level as their independent peers.

This is because groups such as BHP are usually valued according to their earnings, while independent exploration and production companies are valued more on their overall asset base, only part of which may be producing current revenues.

Some analysts say the BHP board balked at supporting a flotation because it was worried about the impact of such a move on its share price. Compared with petroleum's 65 per cent profits rise last year the rest of the company looks stagnant.

BHP made write-downs of nearly A$1bn related mainly to its US copper operations. Magma, bought for A$3.2bn last year, made a return on assets of just 0.2 per cent while weaker prices dented profits at Escondida in Chile, described by one analyst as a "phenomenal asset".

One division that BHP has tackled with resolve is steel. In April it announced that it was closing its Newcastle steelmaking facility to focus on higher value-added production. It is also clear that the company is getting tough on management.

It insists that the two senior retirements – of the heads of the iron ore and minerals divisions – announced just before Mr O'Connor's departure, were a coincidence.

However they did coincide with an announcement of cost overruns and start-up delays at BHP's hot briquetted iron (HBI) plant in Port Hedland, a project in which both retiring directors had been involved.

On Friday, Mr Prescott issued a strong warning to divisional heads. "We expect people to be accountable for controllable events that have an impact on the company," he said.

Investors also worry about accountability, particularly as BHP's chairman, Mr Jerry Ellis, came from the ranks of the company after an attempt to appoint an external candidate failed.

The Australian Shareholders Association said on Friday it shared the concern about governance.

"We do feel that the whole board structure needs to be examined particularly in relation to the promotion of a former employee to the position of chairman," it said.

Last week's events raise questions about whether the board has really tackled the underlying issues of the structure of the conglomerate – and if it is the best format for realising the maximum value of the individual businesses.

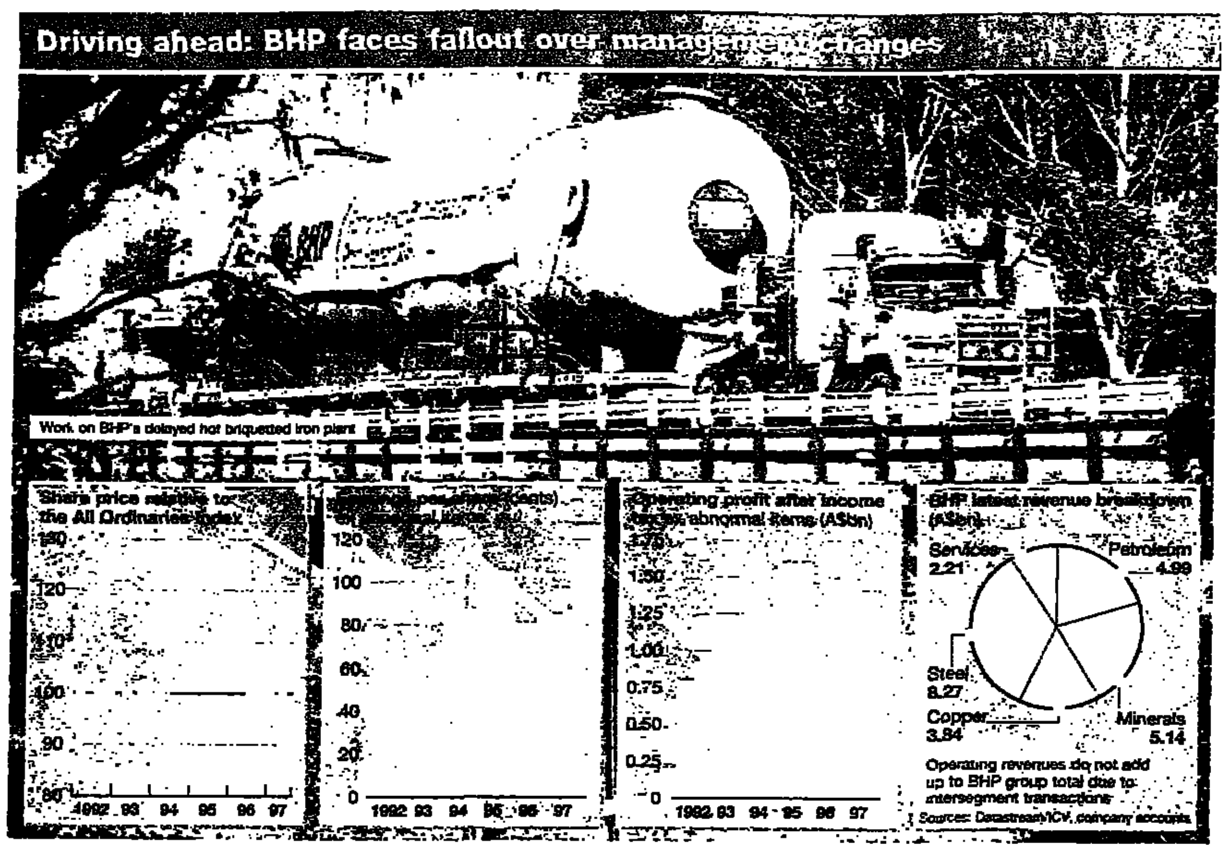
Much work needs to be done to win back the faith of investors, especially as another challenge is looming for "The Big Australian".

With a capitalisation of A$36bn, BHP accounts for nearly 10 per cent of Australia's All Ordinaries index and has been a must for foreign fund managers.

The forthcoming A$10bn partial float of Telstra, the telephone company, and the proposed A$10bn listing next year of Australian Mutual Provident, the life company, will soon give investors a wider choice.

**Elizabeth Robinson**
**Robert Corzine**

Driving ahead: BHP faces fallout over management changes




# Crédit Lyonnais agrees sale of Portuguese assets

By Andrew Jack in Paris

Crédit Lyonnais, the French state-owned bank, has signed an agreement in principle to sell its retail operations in Portugal to the Spanish group Caixa Galicia.

The action is the latest in a series of asset sales linked to Crédit Lyonnais' requirement under a 1995 restructuring plan to sell its retail activities outside France.

The bank recently sold Bergamasco in Italy, as well as its retail operations in Greece and Sweden. It is also in the process of selling Woodchester, its Irish based specialist credit subsidiary.

It said that the latest sale was still subject to due diligence, but would probably be completed by October.

Crédit Lyonnais Portugal, which employs 330 staff, reported 1996 net profits of FFr12m ($1.9m) on banking income of FFr177m. Total assets were FFr7bn.

The series of asset sales, combined with improved operations, should help push the bank back into significant profit as part of its strategy agreed with the French government to strengthen its reserves without recourse to a new state-backed recapitalisation.

Crédit Lyonnais is still eventually likely to be forced to sell BfG, the German bank in which it holds a controlling interest, but is believed to be pushing for more time to ensure it does not record a large capital loss as a result.

Separately GAN, the state-owned French insurance group, said it has sold a portfolio of 75 buildings in its "defeasance" structure with a gross value of FFr3bn to Morgan Stanley and Constructa.

The sale comes after France's new Socialist government confirmed last month that the privatisation of GAN linked to a FFr24bn state rescue package would go ahead as agreed with the EU competition authorities in Brussels.

It said the deal, on which it was advised by Bankers Trust, was for more than the price recorded at the end of 1996, against which the French government gave its guarantee as part of the restructuring.

The property investments, from its Baticrédit and Parixel subsidiaries will contribute towards the eventual sell-off in whole or parts of the entire GAN group, including its property assets, core insurance activities and banking arm CIC.

FINANCIAL TIMES
MARKETS
THIS WEEK



## Global Investor / Peter Martin

# Smaller stocks break the rules

The storming out-performance of big stocks in the past couple of years has been widely remarked. The chart alongside – which compares the *main blue-chip* index in each market with an index of small-cap stocks – shows how much better big companies have done since January 1996. The same pattern shows up if you start the chart in January 1997.

What has been much less widely commented on is the obverse of this phenomenon: the sustained under-performance of small cap stocks. This is surprising, since poor relative performance by small stocks flies in the face of a number of accepted orthodoxies.

On an economic level, it has become accepted wisdom that small companies provide most of the job creation in developed economies. They are the motor of innovation, the home of creative entrepreneurship, the distinctive feature that sets America's robust growth apart from those sluggish old European economies. Surely these sterling achievements should also be reflected in stock market performance also?

In financial theory, also, small companies are conventionally viewed as winners. Few conclusions of modern financial theory are as well accepted as the "small company effect" first identified by Professor Rolf Banz in 1981. It is true that this statistical finding – that over time smaller companies significantly outperform larger ones – is occasionally subject to debate. Sceptics point out that the Prof Banz studied smaller New York Stock Exchange companies – not really small companies as the term is generally used. Others point out that, even if the effect exists, it is hard to take practical advantage of it since commissions and spreads on small stocks are larger than on bigger issues.

But in general, financial market theorists and individual investors tend to accept the small company effect without question. Outside the ranks of specialists in the subject, any discussion of the effect is confined to the search for explanations. One of these is the likelihood of "survivor bias" in the small-cap indices – unsuccessful small companies are quickly weeded out by bankruptcy, so over time small cap indices will consist only of naturally outperforming companies. Another is the shortage of easily-available information about small companies, leading to a greater market inefficiency, and thus a higher chance of out-performance by canny stock selection.

All three communities – economists, financial-market theorists and the investor in the street – thus have an implicit faith that, in the long run, small companies will do better than larger ones. If that has not been true for the past 18 months, it will certainly occur in future. The small companies effect, as originally identified, was unusually volatile, says Ronald Kahn of Barra, the quantitative analysts: "It's a long-term effect and there are long periods of time when it doesn't seem to work."

Investors who hold to this belief continue to buy small stocks in the expectation of some long-term reversion to the mean. But what if, as Thomas McManus of NatWest Securities in New York, argues, no such mean exists? Small cap enthusiasts, he says, see the recent performance "as an anomaly and an opportunity, whereas I see it is a beginning of a reaction *restoring* the natural relationship."

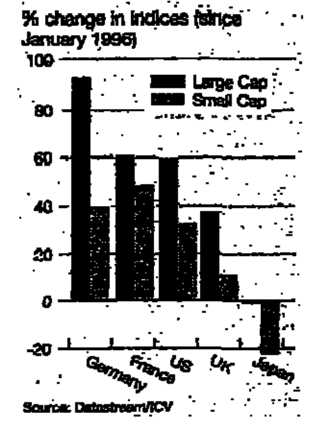
Mr McManus believes the boom in initial public offerings, and the record prices investors have been willing to pay for new companies, has changed the game. "The capital markets have penetrated deeper into the economy to identify promising companies," he says. Much of the potential out-performance of smaller companies is now captured in the prices at which they come to market. Companies are going public with market capitalisations of $800m to $1bn, he says, that could have been bought for $10m in 1992. "A lot of the juice has been squeezed from the orange," so the potential for further appreciation is limited.

The problem with this argument is that, while it may be true, it is largely confined to the US. Yet the relative under-performance of small stocks is a global phenomenon. Mr McManus believes this may be due to the wave of overseas investment from the US, which tends to be concentrated in better-known stocks, pushing up their prices.

Whatever the reason, small companies as a group have certainly not done well recently. That does not rule out the possibility of making money from finding the next Nike or SAP. But, in the recent past at any rate, the markets have not been rewarding strategies based around holding broad portfolios of smaller stocks.

**Big is beautiful**

% change in indices (since January 1996)




Source: Datastream/ICV

**Total return in local currency to 7/8/97**

| | US | Japan | Germany | France | Italy | UK |
|---|---|---|---|---|---|---|
| | % change over period | | | | | |
| **Cash** | | | | | | |
| Week | 0.71 | 0.01 | 0.06 | 0.06 | 0.13 | 0.13 |
| Month | 0.47 | 0.05 | 0.26 | 0.28 | 0.57 | 0.57 |
| Year | 5.88 | 1.00 | 3.48 | 4.22 | 8.49 | 6.06 |
| **Bonds 3-5 year** | | | | | | |
| Week | -0.70 | -0.02 | -0.28 | -0.41 | -0.87 | -0.36 |
| Month | 0.57 | 0.70 | -0.68 | -0.61 | -0.58 | 1.29 |
| Year | 7.18 | 5.54 | 7.04 | 7.99 | 15.99 | 7.39 |
| **Bonds 7-10 year** | | | | | | |
| Week | -1.22 | -0.01 | -0.95 | -1.08 | -1.17 | 0.15 |
| Month | 0.70 | 1.46 | -0.58 | -0.82 | -0.08 | 1.08 |
| Year | 8.11 | 10.49 | 10.89 | 11.89 | 25.95 | 11.53 |
| **Equities** | | | | | | |
| Week | -0.2 | -2.8 | -0.4 | -0.7 | 0.8 | 3.7 |
| Month | 4.7 | 1.0 | 10.5 | 3.8 | 7.7 | 6.0 |
| Year | 45.6 | -0.8 | 70.3 | 54.5 | 59.9 | 34.1 |

Source: Cash & Bonds - Lehman Brothers. Equities: © FT/S&P [illegible]. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co. and Standard & Poor's.

## COMPANY RESULTS DUE

# Sharp gain expected from SBC at halfway

SBC, the Swiss bank, is expected on Wednesday to report a sharp improvement in first-half net profits as worldwide equity gains prompt jumps in trading and commission income.

Analysts expect SFr1.12bn-SFr1.22bn ($730m-$800m), up from SFr72m. Trading income is estimated at SFr1.9bn-SFr2.25bn, against SFr1.48bn.

Commission income is estimated at SFr2.5bn-SFr2.85bn, up from SFr2.11bn; and interest income between SFr1.45bn and SFr1.58bn, against SFr1.52bn. *AFX, Zurich*

■ **UPM-Kymmene**, the Finnish pulp and paper group, is on Thursday expected to report profits after financial items for the six months to June of FM3.15bn-FM3.54bn ($560m-$630m).

The average analysts' estimate is for profit after financials of FM3.36bn, with a boost from favourable second-quarter currency movements due to the strong dollar and sterling offset by continuing low forestry product prices.

Comparisons with the first half of 1996 are not possible as the company has changed its accounting from four-month reporting to quarterly.

In the first four months of 1996, profit after financials was FM1.65bn, and for the first eight months it was FM2.67bn. The first-half forecasts include about FM2.3bn in capital gains. *AFX, Helsinki*

■ **Hunter Douglas**, the Dutch window covering and architectural products group, is expected on Wednesday to report first-half net profit of Fl 76m-Fl 81m ($36m-$38m) – up from Fl 62.9m a year earlier.

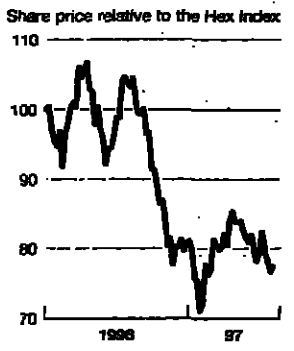
Analysts predict first-half earnings per share of Fl 2.12-Fl 2.2, up from estimates for the comparable year-earlier figure of Fl 1.77-Fl 1.78. A year ago, Hunter Douglas reported first-half earnings per share of Fl 3.55. The company split its shares two-for-one in July.

In its first quarterly results published in May, Hunter Douglas reported a rise in first-quarter net profit to Fl 30.3m from Fl 25.3m, with pre-split earnings per share up at Fl 1.69 from Fl 1.44.

Analysts at ING Barings are looking for second-quarter net profits in the region of Fl 50m or Fl 1.35 per share. *AFX, Amsterdam*

**UPM-Kymmene**

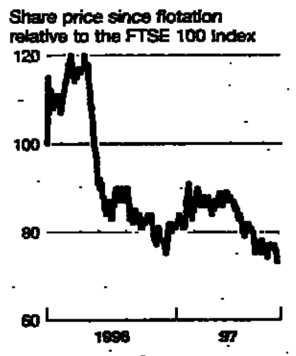
Share price relative to the Hex index




Source: Datastream/ICV

**Orange**

Share price since flotation relative to the FTSE 100 index




Source: Datastream/ICV

■ **General Accident's** interims on Tuesday are expected to produce an operating profit of between £240m ($384m) and £260m, compared with last year's £194m. Analysts are pencilling in a net dividend of between 12.2 and 12.43p (11.44p). There are high expectations that the UK insurer should outperform its peers on its underwriting profits in the UK. Another area of interest will be how fast it is growing its life profits, with some analysts forecasting more than £60m, compared with £46m.

■ On the same day **Smith & Nephew**, the UK healthcare group, is expected to reveal the damaging impact of the strength of sterling when it announces interim pre-tax profits of £81.5m (£94.8m) on sales of about £530m. Kleinwort Benson, the broker, however, expects the dividend to be edged up to about 2.4p (2.29p).

■ **Glynwed**, the engineering group, is forecast to report interim pre-tax profits of between £40m and £42m on Tuesday, compared with £40.2m last time.

Analysts are keen to see how the strength of sterling is affecting Glynwed's exports. They are also concerned about cheaper imports raising competition in Glynwed's consumer markets in the UK. Glynwed is also expected to reveal details of its year-long programme of 22 disposals. It had intended to complete the sell-offs by this stage, but said progress had been slow.

■ **BICC**, the cables and construction group that issued a profits warning in April, is expected to report on Wednesday a fall in interim profits from £63m to £55m, and possibly to cut the interim dividend by 1p to 3p. Shares in the group, which launched a £170m rights issue at 270p nearly a year ago, have fallen below 170p since its warning that sharply reduced demand for power cables in Italy and Germany would undermine first-half profits.

■ **WPP**, the world's largest marketing services group, is expected on Thursday to report interim profits up by about £10m to £78m in spite of revenues held flat by the strength of sterling. The group last week expanded its interests in direct marketing by acquiring a 70 per cent stake in France's Bellanger Foucaucourt Associés. In June it paid £10.2m for 14.4 per cent of CIA, the independent media buying company.

■ **Alliance & Leicester** on Friday will report its first interim results since converting into a bank and floating on the stock exchange in April. Estimates range from £175m to £195m, after £20m-£40m of conversion costs. A&L is reckoned to have just about held its share of the mortgage market, but will have suffered pressure on deposit margins as investors took their windfall money and ran. Though the bank's valuation is currently the lowest of the converted building societies, many analysts believe its share price is still bolstered by the belief that it will eventually be taken over.



## INTERNATIONAL EQUITIES By Vincent Boland

# Italians find a taste for shares

The monastic silence inside the Borsa Italiana's Mussolini-era building in Milan gives no indication that the Italian public is rushing to buy shares in unprecedented numbers.

But they are. Intense domestic retail interest in the privatisation programme has played a crucial role in making recent flotations a success. Italians are raiding their once-sacrosanct savings accounts to plough funds into equities.

Mr Francesco Cesarini, chairman of the soon-to-be-privatised Italian stock exchange, sees a definite change of attitude by the Italian public towards shares. He says this is part of a trend which has seen the attitudes of banks and pension funds change too.

"Financial institutions and pension funds are slowly teaching Italian investors that there is something else to invest in besides government bonds," Mr Cesarini says. "Of course, when the market is booming interest is even greater."

The privatisation drive has seen several household names either sold or about to be. With each offering, the number of applications from retail investors expands, say investment bankers.

Earlier this summer, the third tranche of Eni, the oil and gas group, attracted roughly 800,000 applications, nearly double the number for the first offering. It also required less intensive marketing.

Bankers predict that when Telecom Italia comes to the market, probably later this year, there could be more than 1m applications for shares from retail investors, many of them customers of the company.

Incentives for domestic buyers included in the offerings have helped to make the privatisations attractive. These included bonus shares if the original holdings were held for a certain period of time, and offers of stock in the IPOs at a discount to the price large professional investors were asked to pay.

One banker says that the secret in attracting such high levels of support lies in convincing potential buyers of the shares that the returns they could make – from dividends and potential capital gains – would at least be equal to those available from alternative forms of investment, such as government bonds.

The boost at the European Union's Amsterdam summit in June to Italy's chances of being among the founding members of the single currency sent the spread of Italian government bonds over German bunds plummeting to about 80 basis points. Although it has risen again recently, bond yields are expected to remain low, unless monetary union collapses.

That is driving a redirection of savings from bonds to equities. So far this year, Italian mutual funds have attracted the strongest flow of funds since 1994, according to Morgan Stanley Dean Witter, with total inflows into equity, bond and balanced funds above L66bn ($37m), compared with L60bn in all of last year.

While Italian equity funds are still less popular than foreign equity funds, more Italians are opening private portfolio accounts at the big banks and investing directly in the market rather than through other vehicles.

This is all good news for the government. Privatisation is likely to continue because the government needs the money, one banker says. It is likely to mean even more attention being paid to local investors in future sell-offs.

## FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

| NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock | FRIDAY AUGUST 8 1997: US Dollar Index | % chg since 31/12/96 | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg from 31/12/96 | Gross Div. Yield | THURSDAY AUGUST 7 1997: US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | DOLLAR INDEX: 52 week High | 52 week Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (76) | 233.51 | 5.2 | 219.35 | 171.04 | 224.96 | 212.38 | 14.3 | 3.80 | 235.72 | 220.34 | 176.56 | 229.57 | 218.03 | 243.87 | 197.66 | 198.70 |
| Austria (25) | 199.22 | 4.9 | 187.14 | 145.93 | 191.93 | 191.82 | 26.2 | 1.71 | 200.95 | 187.85 | 150.53 | 195.71 | 195.60 | 208.00 | 174.70 | 179.10 |
| Belgium (29) | 239.21 | 5.1 | 224.70 | 175.22 | 230.45 | 225.82 | 26.6 | 3.03 | 241.18 | 225.45 | 180.66 | 234.88 | 230.18 | 251.11 | 213.92 | 218.63 |
| Brazil (30) | 289.60 | 52.7 | 272.04 | 212.13 | 279.00 | 578.59 | 59.5 | 1.27 | 293.34 | 274.20 | 219.72 | 285.58 | 585.84 | 322.44 | 172.54 | 178.22 |
| Canada (127) | 221.59 | 16.7 | 208.15 | 162.31 | 213.48 | 223.24 | 18.5 | 1.63 | 223.89 | 209.28 | 167.70 | 218.05 | 224.98 | 224.03 | 159.68 | 159.78 |
| Denmark (32) | 387.43 | 10.1 | 363.93 | 283.79 | 373.25 | 371.87 | 31.7 | 1.37 | 384.63 | 359.54 | 288.11 | 374.60 | 373.27 | 421.25 | 314.62 | 315.16 |
| Finland (26) | 307.43 | 25.1 | 288.78 | 225.19 | 296.17 | 357.26 | 50.4 | 1.54 | 311.88 | 291.52 | 239.60 | 303.73 | 366.81 | 314.08 | 205.98 | 206.87 |
| France (83) | 227.23 | 8.2 | 213.46 | 166.45 | 218.92 | 222.62 | 27.5 | 2.37 | 228.57 | 213.66 | 171.21 | 222.61 | 226.65 | 237.57 | 187.39 | 190.44 |
| Germany (59) | 232.50 | 22.4 | 218.40 | 170.30 | 223.99 | 223.99 | 47.1 | 1.27 | 232.84 | 217.65 | 174.41 | 226.76 | 226.76 | 238.42 | 172.93 | 176.68 |
| Hong Kong, China (66) | 577.57 | 13.9 | 542.55 | 423.07 | 556.44 | 574.05 | 14.0 | 2.67 | 580.03 | 542.19 | 434.47 | 564.89 | 576.49 | 580.03 | 421.41 | 426.65 |
| Indonesia (27) | 208.93 | -8.4 | 196.26 | 153.04 | 201.28 | 333.89 | 1.0 | 1.95 | 212.79 | 198.91 | 159.39 | 207.23 | 338.09 | 254.90 | 183.82 | 191.23 |
| Ireland (17) | 373.59 | 13.6 | 350.93 | 273.65 | 359.91 | 366.64 | 33.9 | 2.68 | 370.74 | 346.55 | 277.70 | 361.08 | 364.83 | 374.84 | 284.96 | 287.17 |
| Italy (53) | 98.92 | 18.5 | 92.92 | 72.46 | 95.30 | 133.52 | 40.8 | 1.78 | 99.54 | 93.05 | 74.56 | 96.94 | 136.12 | 105.79 | 73.28 | 77.08 |
| Japan (485) | 134.46 | 4.2 | 126.31 | 98.49 | 129.54 | 98.49 | 4.0 | 0.80 | 130.88 | 122.34 | 98.03 | 127.46 | 98.03 | 149.58 | 107.57 | 148.74 |
| Malaysia (107) | 418.94 | -30.6 | 393.53 | 306.87 | 403.60 | 434.99 | -25.9 | 1.80 | 427.82 | 399.91 | 320.46 | 416.65 | 435.48 | 660.85 | 418.94 | 542.52 |
| Mexico (27) | 1810.34 | 48.4 | 1700.56 | 1326.05 | 1744.08 | 15468.45 | 47.3 | 1.45 | 1861.24 | 1739.82 | 1394.16 | 1812.66 | 15825.01 | 1864.38 | 1136.59 | 1225.29 |
| Netherlands (19) | 428.23 | 27.4 | 402.27 | 313.68 | 412.56 | 408.12 | 53.8 | 1.91 | 431.68 | 403.50 | 323.34 | 420.39 | 415.86 | 431.66 | 295.89 | 296.23 |
| New Zealand (14) | 89.56 | -2.4 | 84.13 | 65.60 | 86.28 | 74.82 | 8.5 | 3.89 | 90.20 | 84.31 | 67.56 | 87.84 | 74.39 | 96.47 | 80.77 | 82.90 |
| Norway (41) | 330.72 | 11.9 | 310.67 | 242.25 | 318.62 | 341.09 | 33.2 | 1.80 | 328.90 | 307.44 | 246.36 | 320.31 | 343.70 | 330.72 | 246.29 | 250.08 |
| Philippines (22) | 149.40 | -26.6 | 140.34 | 109.43 | 143.93 | 212.94 | -20.2 | 0.96 | 150.67 | 140.84 | 112.86 | 146.74 | 214.37 | 214.07 | 138.54 | 199.75 |
| Singapore (42) | 356.05 | -15.2 | 334.46 | 260.80 | 343.02 | 243.00 | -10.2 | 1.26 | 360.63 | 337.10 | 270.13 | 351.22 | 244.88 | 448.01 | 356.05 | 381.18 |
| South Africa (44) | 357.94 | 12.4 | 336.24 | 262.19 | 344.84 | 365.24 | 12.2 | 2.38 | 359.06 | 335.63 | 268.95 | 349.68 | 367.55 | 370.12 | 301.49 | 332.30 |
| Spain (33) | 245.10 | 11.5 | 230.23 | 179.53 | 236.12 | 290.37 | 34.1 | 2.29 | 245.25 | 229.25 | 183.70 | 238.85 | 293.73 | 276.05 | 173.01 | 177.72 |
| Sweden (49) | 511.21 | 21.2 | 480.21 | 374.46 | 492.50 | 600.61 | 40.8 | 1.72 | 511.89 | 478.31 | 383.28 | 498.33 | 609.82 | 511.85 | 352.71 | 352.56 |
| Switzerland (33) | 313.66 | 31.5 | 294.64 | 229.75 | 302.18 | 293.80 | 47.9 | 1.14 | 312.49 | 292.10 | 234.07 | 304.33 | 296.45 | 329.56 | 231.88 | 246.89 |
| Thailand (42) | 59.46 | -37.9 | 55.86 | 43.55 | 57.29 | 72.23 | -24.2 | 4.24 | 60.27 | 56.34 | 45.15 | 58.70 | 72.46 | 150.37 | 47.55 | 150.37 |
| United Kingdom (213) | 311.61 | 10.1 | 292.72 | 228.25 | 300.21 | 292.72 | 19.3 | 3.44 | 315.74 | 295.14 | 236.50 | 307.50 | 295.14 | 326.26 | 239.19 | 239.22 |
| USA (638) | 378.82 | 25.5 | 355.85 | 277.48 | 364.95 | 378.82 | 25.5 | 1.63 | 386.08 | 360.90 | 289.20 | 376.01 | 386.08 | 388.67 | 264.75 | 269.80 |
| Americas (822) | 346.70 | 25.5 | 325.68 | 253.96 | 334.01 | 292.08 | 25.7 | 1.63 | 353.21 | 330.17 | 264.57 | 343.99 | 297.31 | 356.35 | 242.47 | 246.53 |
| Europe (714) | 277.06 | 15.6 | 260.26 | 202.95 | 266.92 | 271.44 | 32.8 | 2.38 | 278.86 | 260.67 | 208.88 | 271.58 | 274.78 | 284.44 | 212.37 | 212.49 |
| Nordic (150) | 431.81 | 19.0 | 405.63 | 316.30 | 416.01 | 446.16 | 38.9 | 1.65 | 432.30 | 404.10 | 323.82 | 421.02 | 452.67 | 437.86 | 307.21 | 307.21 |
| Pacific Basin (881) | 152.78 | 2.8 | 143.52 | 111.91 | 147.19 | 113.48 | 3.6 | 1.26 | 150.04 | 140.25 | 112.39 | 146.13 | 113.20 | 169.27 | 127.18 | 168.92 |
| Euro-Pacific (1595) | 204.66 | 9.7 | 192.25 | 149.91 | 197.17 | 172.78 | 18.9 | 1.88 | 203.82 | 190.52 | 152.67 | 198.50 | 173.81 | 209.12 | 173.55 | 181.70 |
| North America (765) | 369.12 | 25.1 | 346.74 | 270.38 | 355.61 | 368.50 | 25.2 | 1.63 | 376.04 | 351.51 | 281.68 | 366.23 | 375.36 | 379.38 | 258.56 | 263.03 |
| Europe Ex. UK (501) | 251.70 | 18.9 | 236.44 | 184.37 | 242.49 | 262.78 | 41.0 | 1.75 | 252.39 | 235.93 | 189.06 | 245.81 | 256.47 | 256.73 | 181.01 | 192.95 |
| Pacific Ex. Japan (396) | 310.94 | -1.4 | 292.08 | 227.76 | 299.56 | 280.68 | 3.2 | 2.68 | 313.74 | 293.28 | 235.01 | 305.56 | 281.78 | 320.55 | 280.04 | 280.74 |
| World Ex. US (1823) | 208.92 | 10.7 | 196.25 | 153.03 | 201.27 | 179.90 | 19.3 | 1.86 | 208.35 | 194.74 | 156.05 | 202.89 | 181.02 | 212.89 | 175.94 | 182.92 |
| World Ex. UK (2248) | 258.45 | 18.2 | 242.78 | 189.31 | 248.99 | 231.26 | 22.3 | 1.57 | 260.26 | 243.28 | 194.95 | 253.47 | 234.23 | 262.88 | 204.12 | 207.01 |
| World Ex. Japan (1976) | 328.80 | 20.1 | 308.87 | 240.85 | 316.77 | 324.46 | 26.1 | 1.93 | 333.42 | 311.67 | 249.75 | 324.72 | 328.50 | 334.83 | 242.70 | 244.15 |
| The World Index (2461) | 263.06 | 17.3 | 247.11 | 192.69 | 253.44 | 236.98 | 22.1 | 1.75 | 265.08 | 247.77 | 198.55 | 258.15 | 239.92 | 267.21 | 207.84 | 209.83 |

# MARKETS: This Week

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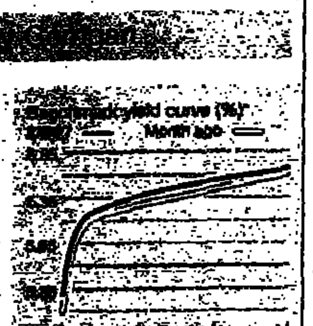
The exuberance that has characterised US markets this year slipped on Friday, as rallying bond and stock markets went into reverse. The rise in the long bond yield to more than 6.60 per cent appeared to have been the main driver of stock market weakness.

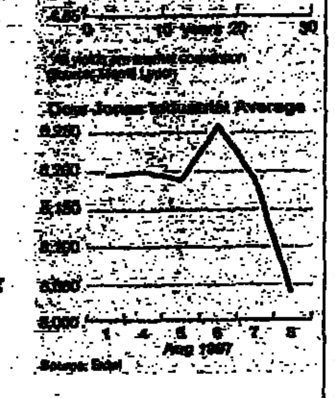
Most analysts said the weakness seemed to be a minor correction, and some pointed to profit-taking, as investors sought to take advantage of the recent strong run-up.

Mr Philip Braverman of DKB Securities said the sell-off reflected concern about increased corporate borrowing, the disappointing distribution of the 30-year Treasury bond auction and "fears of an economic rebound sufficient to trigger inflation and a Fed firming" but described these concerns as "grossly overblown".

However, while there is every chance the market will rediscover its optimism this week, investors concerned that it may have got ahead of itself will be paying close attention to the week's economic data.

The focus is likely to be on Wednesday's retail sales and producer prices numbers and Thursday's consumer prices data. Retail sales are expected to rise 0.6 per cent in July, according to




Standard & Poor's MMS survey results, compared with 0.5 per cent in June.

The producer price index for July is expected to be 0.1 per cent higher, the same as the previous month.

Consumer prices are expected to show an increase of 0.2 per cent, up from 0.1 per cent. Also on Thursday, industrial production is expected to be shown to have risen 0.2 per cent and capacity utilisation data to be unchanged at 83.5 per cent.

## LONDON By Peter John

Following a week laden with corporate and economic news, UK markets are likely to experience lighter trading this week. But company results, currency shifts and interest rate factors which have influenced investor decisions will predominate.

Last week, corporate results covered 27 per cent of the market value of the FTSE 100 index. Today there will be an unusually big ex-dividend effect of 15.41 points.

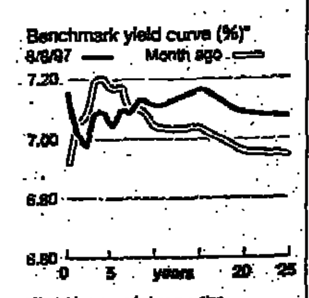
Nine companies go ex-dividend, including BT, the payout of which will include a 35p special dividend to sweeten the proposed merger with MCI of the US.

Company figures are thin on the ground. In the Footsie, only Alliance & Leicester, BOC, General Accident and Orange are reporting.

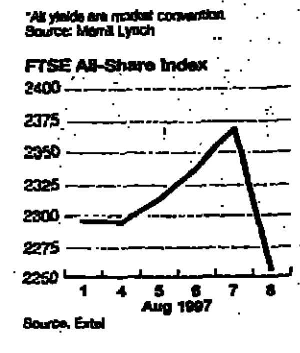
Currency is likely to remain the principal focus. Sterling fell almost 15 pfennigs against the D-Mark last week, providing sorely needed relief to exporters and overseas earners.

The relief was showing through on Friday when the FTSE 250 stocks moved higher while the Footsie fell.

However, several economists believe that with inflationary pressure still present in the UK, the risk




*All yields are market convention
Source: Merrill Lynch




Source: Extel

of higher rates and a stronger pound remains.

Those risks will be assesed in the light of producer prices figures for July today and retail price data tomorrow.

And, on Wednesday, the Bank of England will give its latest quarterly inflation report. The monetary policy committee raised interest rates to 7 per cent last Thursday but indicated that rates were high enough to hit the chancellor's inflation target.

## FRANKFURT By Andrew Fisher

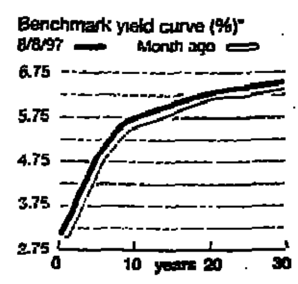
Markets will be watching this week for signs of interest rate moves in the US and Germany. The chance that US rates could rise unsettled stock and bond markets on Friday. Frankfurt's DAX blue chip index lost nearly 2 per cent to close at 4,342,31 points.

While German markets will be influenced by whatever happens on Wall Street, domestic factors will also loom large. Speculation that the Bundesbank could use this week's securities repurchase transaction to signal an end to the long period of flat interest rates has been fed by its own comments and actions.

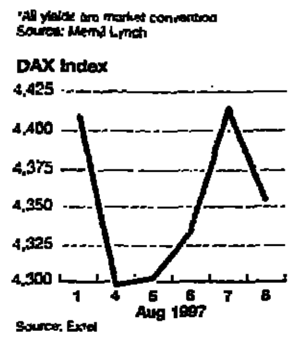
Mr Otmar Issing, a director, said price trends were moving in the wrong direction, thus hinting that the time for a rise from the present 3 per cent repo rate – unchanged for a year – might be approaching.

He said the economy was picking up convincingly and high unemployment was a structural rather than cyclical problem. This suggests the Bundesbank would not be too inhibited from making an interest rate move by fears of harming the recovery.

But economists are unsure whether the Bundesbank is merely making noises about possible action to stem the




*All yields are market convention
Source: Merrill Lynch




Source: Extel

dollar's rise. The speculation began when it set a continuation of fixed-rate repos for only two weeks during the summer break instead of four. This being the third week, Tuesday's announcement will be eagerly awaited.

Company interim news will also keep the market alert. Chemical companies will start reporting and speculation about bank takeovers – the latest centring on Commerzbank – could continue.

## TOKYO By Gwen Robinson

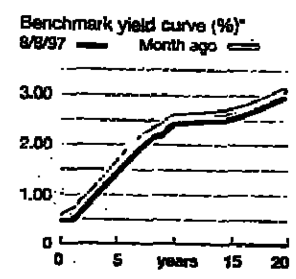
Markets are likely to be dull this week as Japan enters the summer holiday period. No significant economic data are due until the end of the month, when industrial production, employment and CPI figures are due.

The equity market is expected to remain in its weak state, with the Nikkei 225 fluctuating around 19,500 to 20,500. Investors are likely to continue selling shares in general contractors, on concern about the sector's poor outlook and bad debt problems. High-tech stocks, which led the market until the end of last week, may suffer if New York continues downward.

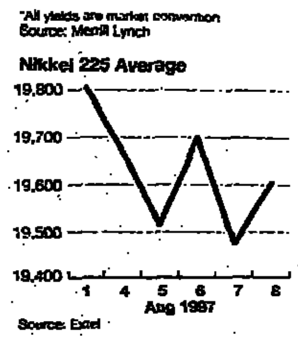
Japanese government bonds, however, will continue to benefit from recent poor economic data and concern about trade friction with the US, following Friday's publication of current account figures that showed Japan's June current account rose 55.8 per cent to Y1.018bn year-on-year.

The current account surplus for first-half 1997 rose 40.4 per cent, the first increase since 1993 and far above expectations.

The government attributes much of the surge to temporary factors, such as the April increase in sales tax. Officials claim the




*All yields are market convention
Source: Merrill Lynch




Source: Extel

country's trade surplus remains on a declining trend. But private economists say the surplus will continue rising this year, possibly to 2.5 per cent of gross domestic product – a level widely considered to be the limit of US tolerance, beyond which trade tensions could strain relations.

The customs-cleared trade surplus for July should "skyrocket" to around Y1,063bn, up 112.4 per cent year-on year, predicts Mr Brian Rose, at SBC Warburg.

## COMMODITIES By Gary Mead

# Turkey faces hazelnut row

The Turkish government is this week expected to announce another round of subsidies for the country's hazelnut farmers.

The news of another year of support will anger competing growers and traders in the European Union, which Turkey has applied to join.

"It must be asked why they keep doing this when they don't have the money and the Turkish taxpayer gets nothing in return," said one London-based hazelnut trader. "We're waiting with bated breath to see precisely what is the level of support."

During 1996 the subsidy, equivalent to $212m, was used to purchase local stocks to create a buffer of some 137,500 tonnes of hazelnuts, about 25 per cent of the total world crop of 550,000 tonnes. Most traders expect a similar sum to be available this year. Turkey produces 70 per cent of the world's hazelnuts, with an estimated 3m farmers and families dependent on the crop for their income.

Fiskobirlik, Turkey's state-run hazelnut farmers' co-operative, exercises a strong influence over the world market for hazelnuts, the vast bulk of which are bought by confectioners. Earlier this year Fiskobirlik indicated that it was prepared to sell from the buffer stock only at $555 per 100kg, when world prices were 15 per cent below that figure.

The co-operative can afford to take a long view of prices as hazelnuts can be stored in the shell for 18 months.

The buffer stock is clearly influencing world prices, although independent Turkish hazelnut producers have been selling at below Fiskobirlik's indicated price. Between September 1996 – just after harvesting – and April this year prices soared by 50 per cent, from $340 to $510 per 100kg. Yet at the start of 1996, before the Turkish government subsidy was introduced, the price was $230 per 100kg. The price has recently fallen slightly, to $380 per 100kg last month, though in the last week it has crept back up to $420.

## OTHER MARKETS Compiled by Jeffrey Brown

### PARIS

The CAC-40 notched up a modest net loss last week. Holiday doldrums are one reason for the slack performance. With the market closed for a national holiday on Friday, these are likely to deepen. However, French shares are still in close contact with their all-time peaks and analysts believe that further upward progress remains on the cards.

Investor attention will this week focus on a raft of interim sales figures, notably from Renault, Seita, Pechiney, Usinor and luxury goods leader LVMH. July's consumer price index figures, due for release on Tuesday, are seen as having limited impact.

Mr Alan Webborn, an analyst at UBS, said the French market would be watching the German repo on Tuesday for signs of the Bundesbank's intentions on monetary policy. "There will be a sigh of relief in Paris if the Bundesbank decides against a variable rate."

Any signs of German monetary tightening would be particularly unpalatable to the French since it would be difficult for France to keep in step with consumer inflation running at around 1 per cent and unemployment at a record levels.

### ZURICH

Swiss equities look set for a continued trade-off between concern about German interest rate policy and positive corporate news from the banking sector.

Last week talk of an upward nudge for German rates put shares into the sort of spin that seldom breaks out in August. The market traded within an unseasonally wide range on a number of days and to some extent the volatile trading took the shine off a fine set of interim numbers from UBS.

This week it is the turn of SBC – CS Group completes the interim results season for the "big three" on August 27 – which reports on Wednesday. Solid earnings are widely expected. Some brokers see six-month gross profits rising by close on 60 per cent year-on-year.

### STOCKHOLM

Buoyed by the flow of half-year results, Sweden's leading share index hit fresh records last week and there could be more good corporate news in store over the next few days.

Results are due from SE-Banken (tomorrow) and Nordbanken (Thursday) but there should be plenty of pointers to the broader economy from forestry leader SCA and industrial group Sandvik, which report on Wednesday and tomorrow respectively.

Some brokers have begun to bet on the possibility of better news from some sections of the paper trade. This week's figures from Finland's Enso and UPM Kymmene, both of which have good exposure to publishing grades, are keenly awaited.

### HONG KONG

The wall of money that has pushed Hong Kong to record highs is unlikely to abate in the near term, but brokers are warning that consolidation is now on the cards. The benchmark Hang Seng Index closed slightly lower on Friday on turnover some 30 per cent down on the previous session's HK$34.2bn record.

Brokers are divided on where the market is headed: some say 17,000 is clearly in sight – even though the 16,000 mark was only breached last month – while others see it drifting lower. Salomon Brothers says that since reducing Hong Kong to a neutral weighting in early July it has not seen any compelling reason to change its stance.

The interim results season remains in full spate this week. Property should also stay in the spotlight following stakebuilding in Hongkong Land and Jardine Matheson by Mr Li Ka-shing, the tycoon who controls two of Hong Kong's biggest companies.

## CURRENCIES By Richard Adams

# Growth differences propel dollar ever higher

Just how far can the US dollar go? Last week the greenback touched recent highs against both the D-Mark and sterling, and there seems little on the horizon to hold it back from further gains.

Mr Don Smith, economist at HSBC Markets in London, thinks the dollar is being driven by differing perceptions about economic growth between the US and Europe, rather than simply interest rate expectations.

He points out that while expectations of higher interest rates in both regions have fallen in recent months, optimism about US economic growth has continued to rise.

"The divergence of growth and interest rates tends to be the norm," Mr Smith said. "Usually, they move in similar directions because the key role of monetary policy is to control inflation and, other things being equal, higher growth means higher inflation."

Instead, the market thinks there may have been a shift in underlying fundamentals, delivering stronger non-inflationary growth.

Externally, the weakness of other leading economies has contributed to the high dollar: "In recent weeks the D-Mark has plummeted after catching sight of its own reflection in the shape of a weak euro," said Mr Smith.

Even sterling has been unable to keep up with the dollar, in spite of a widening interest rate differential between the UK and the US.

The long term may see a slowdown in US growth and a widening trade gap start to undermine the dollar. But in the short term at least, the picture is unlikely to change – at least not in the next two months, according to HSBC.

Sterling's overvaluation against the European currencies may continue to unravel this week, with technical analysts talking about DM2.40 as a possible floor, representing a 20 per cent retracement. But that would be very unlikely to happen quickly, and DM2.70 represents the consensus level.

## CROSS BORDER M&A DEALS

| BIDDER/INVESTOR | TARGET | SECTOR | VALUE | COMMENT |
|---|---|---|---|---|
| PacifiCorp (US) | Energy Group (UK) | Power | $5.9bn | MMC referred |
| Endesa (Spain) | Enersis (Chile) | Power | $1.5bn | Two-way traffic |
| Dickson Concepts (HK) | Barney's (US) | Retailing | $247m | Accord in sight |
| NTT (Japan) | Sri Lanka Telecom (Sri Lanka) | Telecoms | $225m | 35% stake agreed |
| Shire Pharmaceuticals (UK) | Richwood Pharmaceuticals (US) | Pharmaceuticals | $185m | Rapid growth continues |
| Sedgwick (UK)/Nikols Brichetto (Italy) | JV | Insurance services | $82m | 49/51% split |
| BTR (UK) | Limitorque (US) | Valves | $60m | BTR refocuses |
| BBA (UK) | Becorit Gesellschaft W. Beckmann (Germany) | Engineering materials | $45m | Braking bolt-on |
| DOCdata (N'lands) | Mayking (UK) | Music | $18m | Buy from administrator |

## FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, August 8, 1997. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

| | | £ STG | US $ | D-MARK | YEN (X 100) |
|---|---|---|---|---|---|
| Afghanistan | (Afghani) | 7497.40 | 4750.00 | 2563.27 | 4099.07 |
| Albania | (Lek) | 275.431 | 174.500 | 94.1685 | 150.587 |
| Algeria | (Dinar) | 98.9611 | 61.4300 | 33.1499 | 53.0117 |
| Andorra | (French Fr) | 9.8581 | 6.2456 | 3.3704 | 5.3897 |
| | (Sp Peseta) | 246.836 | 156.385 | 84.3910 | 134.954 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Fiji Is | (Fiji $) | 2.2976 | 1.4556 | 0.7855 | 1.2561 |
| Finland | (Markka) | 8.7402 | 5.5374 | 2.9882 | 4.7785 |
| France | (Fr) | 9.8581 | 6.2456 | 3.3704 | 5.3897 |
| Fr. Cty/Africa | (CFA Fr) | 985.810 | 624.560 | 337.035 | 538.971 |
| Fr. Guiana | (Local Fr) | 9.8581 | 6.2456 | 3.3704 | 5.3897 |
| Fr. Pacific Is | (CFP Fr) | 178.531 | 113.109 | 61.0377 | 97.6087 |
| Gabon | (CFA Fr) | 985.810 | 624.560 | 337.035 | 538.971 |
| Gambia | (Dalasi) | 15.7266 | 9.9650 | 5.3775 | 8.5994 |
| Germany | (D-Mark) | 2.9248 | 1.8531 | 1 | 1.5992 |
| Ghana | (Cedi) | 3440.92 | 2180.00 | 1176.41 | 1881.26 |

| | | £ STG | US $ | D-MARK | YEN (X 100) |
|---|---|---|---|---|---|
| Gibraltar | (Gib £) | 1 | 0.6336 | 0.3419 | 0.5467 |
| Greece | (Drachma) | 457.918 | 290.115 | 156.557 | 250.358 |
| Greenland | (Danish Krone) | 11.1392 | 7.0573 | 3.8084 | 6.0902 |
| Grenada | (E Carib $) | 4.2617 | 2.7000 | 1.4570 | 2.3300 |
| Guadeloupe | (French Fr) | 9.8581 | 6.2456 | 3.3704 | 5.3897 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Nepal | (Nepalese Rupee) | 89.9087 | 56.9600 | 30.7377 | 49.1543 |
| Netherlands | (Guilder) | 3.2968 | 2.0881 | 1.1268 | 1.8019 |
| N'nd Antilles | (A/Guilder) | 2.8254 | 1.7900 | 0.9660 | 1.5447 |
| New Zealand | (NZ $) | 2.4831 | 1.5732 | 0.8490 | 1.3576 |
| Nicaragua | (Gold Cordoba) | 15.0434 | 9.5308 | 5.1432 | 8.2247 |
| Niger Rep | (CFA Fr) | 985.810 | 624.560 | 337.035 | 538.971 |
| Nigeria | (Naira) | 34.5449o | 21.8860 | 11.8105 | 18.8866 |
| | (Naira) | 131.244m | 83.1500 | 44.8708 | 71.7553 |
| Norway | (Nor. Krone) | 11.9938 | 7.5986 | 4.1005 | 6.5573 |
| Oman | (Rial Omani) | 0.6078 | 0.3851 | 0.2078 | 0.3323 |

| | | £ STG | US $ | D-MARK | YEN (X 100) |
|---|---|---|---|---|---|
| Pakistan | (Pak. Rupee) | 63.8929 | 40.4795 | 21.8442 | 34.9323 |
| Panama | (Balboa) | 1.5784 | 1 | 0.5396 | 0.8630 |
| Papua New Guinea | (Kina) | 2.2168 | 1.4045 | 0.7579 | 1.2120 |
| Paraguay | (Guarani) | 3439.33 | 2179.00 | 1175.87 | 1880.39 |
| Peru | (New Sol) | 4.1970 | 2.6590 | 1.4349 | 2.2946 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Virgin Is-US | (US $) | 1.5784 | 1 | 0.5396 | 0.8630 |
| Western Samoa | (Tala) | 4.0870 | 2.5893 | 1.3973 | 2.2345 |
| Yemen (Rep of) | (Rial) | 205.192r | 130.000 | 70.1527 | 112.185 |
| Yugoslavia | (New Dinar) | 9.0102 | 5.7084 | 3.0806 | 4.9261 |
| Zambia | (Kwacha) | 2090.50 | 1324.50 | 714.748 | 1142.98 |
| Zimbabwe | ($) | 18.4152 | 11.6670 | 6.2959 | 10.0682 |
| ECU | (ECU) | 1.4878 | 0.9426 | 0.5088 | 0.8134 |
| SDR | (SDR) | 1.19142 | 0.743704 | 0.396335 | 0.627800 |

Abbreviations: (o) Free rate; (m) Market rate, (o) Official rate, (r) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate (1) Market rate now shown for Cuba (2)Name changed from Zaire on May 18th 1997, currency scheduled to change to Congolese Francs (3) Guinea-Bissau adopted the CFA Franc to replace the Peso on 1/5/97; FT enquiries to Business Research Centre 0171 256 5130. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 634 4365.

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Friday, August 8, 1997

# MARKETS: This Week

EMERGING MARKETS By Raymond Colitt

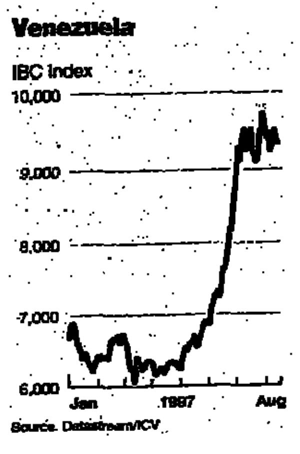
# Venezuela flexes its muscles

One indication of the strength and maturity of the Venezuelan securities markets came last week when investors brushed off a nationwide general strike that paralysed most of the economy.

Following months of austerity measures, it was feared that a 27 per cent petrol price increase would provoke widespread popular protests and send jitters through the stock market. Yet with most workers taking to the beach instead of the streets, investors breathed a sigh of relief and the share index rose nearly 2 points on the day of the strike and another 0.9 points the day after.

"Whenever a country goes through an adjustment programme, the possibility of social tension is in the back of your mind," says Mr Frank Amador, executive director of CNI financial consultants, "and you don't want to be caught off-guard. The reaction of the market is a positive sign."

Venezuela has also managed so far to shrug off the Asian currency turmoil, which has had many neighbouring Latin markets trembling. This partly reflects Venezuela's relative isolation, but it also stems from strong economic growth.



Source: Datastream/ICV

Following the application of market-oriented reforms and the opening of several sectors to foreign capital, Venezuela is beginning to emerge from a four-year recession. Economic growth is estimated to reach 4 per cent this year, up from a negative 1.6 per cent in 1996.

Foreign investors have also been attracted by unprecedented currency stability. Given large capital inflows, especially into the petroleum industry and an international monetary reserve that has grown to $16.8bn, or 10 months of imports, the bolivar depreciated only 4.3 per cent during the first half of this year in spite of a 16.4 per cent inflation rate.

Following a slow start in the first quarter due largely to labour unrest over wage increases, Venezuela boasted the region's strongest second-quarter stock market performance, at 41.9 per cent in dollar terms. Driving the market was an electricity rate increase, which signalled the government's commitment to adjust heavily subsidised utility rates and boosted revenue expectations of blue chip Electricidad de Caracas, the country's largest private power company.

The market also applauded historic labour reform, which reduced labour costs and signalled the government's willingness to push structural reform. Investors also took a hint from multinational oil companies which pledged billions of dollars in a June oil bidding round.

A clear indication that investors have continued to rediscover Venezuela is that the market's average daily volume, although still modest in comparison with Brazil or Mexico, has jumped to $21m so far this year from around $12m in 1996 and $5m in 1995. Foreign investors are estimated to account for as much as 50 to 70 per cent of volume on a strong day.

A further telling indicator of the level of confidence in Venezuela is the recovery of its Brady bonds on the secondary market, with par bonds trading at 82.25 per cent and DCB bonds at an unprecedented 93.5 per cent. Some US-based Latin American regional investment funds are said to have increased their weighting in Venezuela to as much as 10 per cent of their portfolios.

"Given the opening of the petroleum, banking, and other sectors, some foreign investors consider there's no turning back from economic reforms," said one fund manager in New York.

Negative real interest rates have pushed more local investors into the equity market, causing fixed interest investment to account for only 36 per cent of the volume traded on the Caracas exchange, down from 59.3 per cent last year.

Central bank monetary stabilisation bonds (TEMs) currently yield 21 per cent, against expected annualised inflation of 25 to 30 per cent over coming months. The outlook continues strong through the end of the year, market sources say.

"Venezuelan shares are still trading at a discount in comparison to other countries in the region," says Mr Boris Molina, an analyst with Deutsche Morgan Grenfell. "We're positive on Venezuela and expect an additional 18 per cent return by the year-end," says Mr Ricardo Penfold, head of research at Santander Investment Bank in Caracas.

Santander has lifted Venezuela from 1.9 to 3.7 per cent of its Latin America regional fund since June 1996.

As credit demand picks up, the central bank is expected to make headway in soaking up excess monetary liquidity with the help of long-awaited treasury bonds. Yet interest rates, says Mr Penfold, will rise no more than 2 to 3 percentage points in the medium-term.

## ING BARING SECURITIES EMERGING MARKETS INDICES

| Index | 8/8/97 | Week on week movement Actual | Week on week movement Percent | Month on month movement Actual | Month on month movement Percent | Year to date movement Actual | Year to date movement Percent |
|---|---|---|---|---|---|---|---|
| World (449) | 191.09 | -1.63 | -0.85 | -4.62 | -2.36 | +30.98 | +19.35 |
| **Latin America** | | | | | | | |
| Argentina (22) | 140.83 | +1.09 | +0.78 | +6.28 | +4.67 | +33.69 | +31.45 |
| Brazil (22) | 406.42 | -19.76 | -4.64 | -31.00 | -7.09 | +145.40 | +55.70 |
| Chile (21) | 225.40 | +2.60 | +1.17 | -0.93 | -0.41 | +62.95 | +38.75 |
| Colombia (12) | 248.16 | +9.43 | +3.95 | +8.15 | +3.40 | +74.47 | +42.87 |
| Mexico (26) | 122.09 | +2.47 | +2.07 | +9.35 | +8.30 | +40.41 | +49.48 |
| Peru (12) | 1,259.26 | -5.34 | -0.42 | -109.26 | -7.98 | +252.05 | +25.02 |
| Venezuela (7) | 94.21 | -0.20 | -0.21 | +0.00 | +0.00 | +32.03 | +51.52 |
| Latin America (122) | 210.75 | -3.05 | -1.43 | -3.02 | -1.41 | +67.25 | +46.87 |
| **Europe** | | | | | | | |
| Czech Rep.(18) | 81.10 | +5.54 | +7.34 | +0.44 | +0.54 | -23.18 | -22.23 |
| Egypt (16) | 192.55 | +1.47 | +0.77 | -4.50 | -2.28 | +42.78 | +28.55 |
| Greece (19) | 175.12 | +4.75 | +2.79 | +2.62 | +1.52 | +62.81 | +55.93 |
| Poland (28) | 316.20 | +30.40 | +10.64 | +6.85 | +2.22 | -27.54 | -8.01 |
| Portugal (18) | 200.35 | +4.44 | +2.27 | -6.09 | -2.95 | +54.17 | +37.06 |
| Russia (9) | 506.85 | +47.12 | +10.25 | +36.90 | +7.86 | +327.62 | +183.00 |
| South Africa (28) | 145.71 | +1.17 | +0.61 | +0.87 | +0.60 | +15.83 | +12.19 |
| Turkey (27) | 173.62 | +4.44 | +2.62 | -6.95 | -3.85 | +48.57 | +38.85 |
| Europe (163) | 144.77 | +4.60 | +3.28 | +1.13 | +0.79 | +26.43 | +22.34 |
| **Asia** | | | | | | | |
| China (33) | 83.83 | +6.17 | +7.94 | +18.62 | +28.56 | +27.35 | +48.42 |
| Indonesia (26) | 140.77 | -9.83 | -6.53 | -30.54 | -17.83 | -15.66 | -10.01 |
| Korea (27) | 92.64 | +2.74 | +3.05 | -3.09 | -3.23 | +11.43 | +14.07 |
| Malaysia (20) | 189.42 | -19.06 | -9.15 | -39.17 | -17.13 | -91.00 | -32.45 |
| Pakistan (12) | 96.77 | +5.98 | +6.59 | +16.02 | +19.84 | +38.31 | +65.54 |
| Philippines (22) | 241.78 | +5.21 | +2.20 | -20.74 | -7.90 | -72.01 | -22.95 |
| Taiwan (30) | 239.94 | -4.54 | -1.86 | +8.39 | +3.62 | +54.50 | +29.39 |
| Thailand (28) | 101.78 | +0.33 | +0.32 | -1.04 | -1.01 | -53.38 | -34.40 |
| Asia (198) | 205.29 | -5.70 | -2.70 | -12.00 | -5.52 | -12.28 | -5.65 |

All indices in $ terms. January 7th 1992=100. Source: ING Baring Securities.

GOVERNMENT BONDS By Samer Iskandar and Kristina Ceoliva

# Analysts agree on gilts but not on base rates

The consensus among analysts that UK gilts have entered a period of outperformance relative to German bunds is remarkable, in view of their disagreement over the direction of UK interest rates. While analysts are unanimous in predicting a tightening of gilts' yield spread over bunds, their guesses of the Bank of England's future actions diverge substantially.

The main source of disagreement stems from the interpretation of a statement by the Bank's Monetary Policy Committee that "interest rates have reached a level consistent with the inflation target".

While some, including UBS and NatWest Markets, took this as a sign that there would be no more rises in the base rate, others, such as Goldman Sachs and BZW, felt the statement did not rule out further monetary tightening.

"[Last week's rate rise] was the end of the rate tightening cycle," said Andrew Roberts, gilts analyst at UBS. BZW, meanwhile, stuck by its forecast that rates will rise another 50 basis points by the end of the first quarter of 1998. "It is wrong to suggest this is the peak in the interest rate cycle," said David Hillier, UK economist.

Goldman Sachs expects the Bank to "pause for breath" while examining the impact of the 100 basis point tightening so far this year.

Neither Goldman nor BZW changed their end-of-year forecasts as a result of the Bank's statement. Both are predicting a further quarter point tightening in November, followed by a similar increase in the first half of 1998. BZW's Mr Hillier, however, believes rates will come down in the second half of 1998.

"The market is not allowing much room for error" as further inflation and consumer spending data feeds through in the second half of the year, said Andy Bevan, senior bond economist at Goldman Sachs. "Such a high degree of confidence is not justified," he said.

Goldman, which was advocating a long position on gilts until last week, is now advising clients to take profits. It believes gilts' yield spread over bunds will widen to about 160 basis points as investors reassess the chance of further rate rises in the last quarter, before tightening back towards about 140 points by the end of the year.

BZW dismissed talk of a peak in interest rates as "trying to talk sterling down". If the Bank succeeded in taking currency pressure off exporters, it pointed out, further rate rises could be more palatable.

In spite of its interest rate forecasts, however, BZW is bullish about gilts relative to bunds. Phyllis Reed, international bond strategist, said: "In absolute yield terms, gilts do not look very exciting. But relative to bunds there will be aggressive spread-tightening."

This view is based on the belief that bunds will weaken "steadily" against gilts. Ms Reed argued that there was "no direct correlation" between the progress of the gilts market and sterling. Foreign investors may buy into gilts on sterling weakness, and would only be scared off if sterling fell through DM2.80.

NatWest Markets, by contrast, said the Bank of England's statement vindicated its long-standing view that fears of interest rates rising to 8 per cent were "totally overdone".

"The front end of the gilt market has been seriously mispriced," said Huw Roberts, European bond strategist at NatWest. He expects no change in interest rates in the next 12 months, before rates start falling again in the second half of 1998.

Mr Roberts also said the tightening that has taken place in sterling, corporate taxation and interest rates was much more "severe" than most analysts appreciated in the aftermath of the Budget.

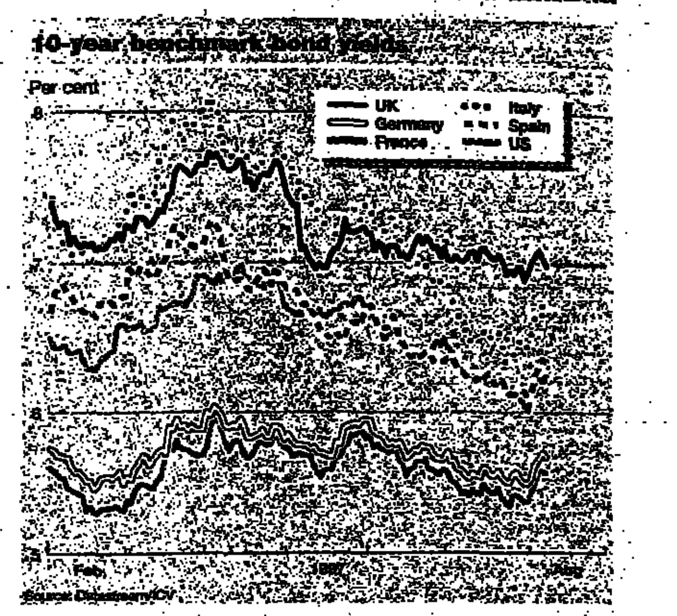
NWM is "slightly negative" on gilts because it fears they will be dragged down by US Treasuries in the aftermath of a US interest rate rise later this year. But it too expects gilts will "outperform in the context of a market going down".

The path of gilts may be volatile, however. "Gilts are behaving almost like high yielders," said Mr Roberts. "They will come in and out" around a tightening trend.

Stewart Cowley, head of fixed income at Hill Samuel Asset Management, stands somewhere between the two views. He believes the Bank of England's base rate will top out at 7.25 per cent, after one more rise in coming months, before declining into 1998.

"Sterling is overvalued by 15 per cent relative to core European currencies, and the economy is going to suffer from it," he said. "And this cycle is different from others, because there is no inflation. We have finally broken from the simplistic assumption that growth equals inflation."

There is now a consensus that sterling's performance on foreign exchange markets will be important in decisions by the Bank's Monetary Policy Committee.




## UK interest rate forecasts

| December 1997 | 3-month LIBOR (%) | 10-year bonds (%) | Spread over 10-year bunds (basis points) |
|---|---|---|---|
| Bank of America | 7.25 | [illegible] | [illegible] |
| BZW | 7.60 | 7.25 | 100 |
| Goldman Sachs | 7.80 | 7.10 | [illegible] |
| Hill Samuel | 7.25 | 7.25 | 115 |
| NatWest Markets | 7.25 | 7.00 | 120 |
| UBS | 7.15 | 7.25 | 120 |
| August 8 | 7.06 | 7.09 | 151 |

## INTEREST RATES AT A GLANCE

| | USA | Japan | Germany | France | Italy | UK |
|---|---|---|---|---|---|---|
| Discount | 5.00 | 0.50 | 2.50 | 3.10 | [illegible] | [illegible] |
| Overnight | n/a | [illegible] | 3.05 | 3.12 | [illegible] | [illegible] |
| Three month | 5.29 | 0.48 | [illegible] | 3.50 | 6.82 | [illegible] |
| One year | 5.56 | [illegible] | 3.45 | 3.58 | 6.46 | [illegible] |
| Five year | 6.24 | 1.40 | [illegible] | 4.78 | [illegible] | [illegible] |
| Ten year | 6.30 | 2.34 | [illegible] | 5.65 | 6.69 | [illegible] |

[illegible] Source: Reuters.

## NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Maturity | Coupon % | Price | Yield % | Launch spread bp | Book-runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| Sideco Americana(a) | 125 | Aug 2002 | 9.125§ | 99.244R | 9.317 | +325(6Jul02) | Bear Stearns Intl |
| Sasco 1997-N1(a)‡★ | 355.053 | Sep 2028 | - | - | - | - | Lehman Brothers Intl |
| GECC | 300 | Aug 2004 | 6.25 | 99.50R | 6.341 | +17(6%Jul02) | ABN Amro HG/Paribas |
| Banco de Galicia | 100 | Aug 2002 | 7.875 | 99.77R | 7.933 | +165(6Jul02) | SBC Warburg |
| Rabobank Nederland(b)★ | 100 | Aug 2000 | 7.50 | 99.568R | 7.667 | +150(6⅜%-00) | ABN Amro/Bear Stearns |
| Sanwa Business Credit Crp‡ | 200 | Aug 2002 | (d) | 99.78R | - | - | Merrill/Sanwa Intl |
| Aegon | 200 | Aug 2000 | 6.25 | 99.856R | 6.304 | +15(M 3yr) | ABN Amro Hoare Govett |
| Export Credit Bk of Turkey‡ | 100 | Aug 2000 | (g) | 99.355R | - | - | Salomon Brothers Intl |
| Export Credit Bk of Turkey | 100 | Aug 2000 | 9.00§ | 99.85R | 9.058 | +300(6Aug00) | Salomon Brothers Intl |
| Merrill Lynch & Co(n) | 400 | Aug 2001 | 6.50 | 99.935R | 6.519 | +41(6%Aug00) | Merrill Lynch Intl |
| Unibanco(f) | 250 | Aug 2000 | 7.75§ | 99.972R | 7.760 | +175(6Aug00) | Morgan Stanley DW |
| MRS Logistica, Class A(o1) | 125 | Aug 2005 | 9.00§ | 99.7756 | 9.040 | +305(6Aug00) | Bankers Trust Intl |
| MRS Logistica, Class B(o2) | 195 | Aug 2005 | 10⅝§ | 99.551 | 10.71 | +450(6½%-05) | Bankers Trust Intl |
| Asian Development Bank(p) | 300 | Aug 2027 | 6.22§ | 100.00 | 6.220 | - | Morgan Stanley DW |
| Coca-Cola Amatil | 200 | Sep 2003 | 6.50 | 99.899R | 6.521 | +33(6%Jul02) | Morgan Stanley DW |
| Inter-American Dev Bank | 200 | Aug 2000 | 6.00 | 99.71R | 6.108 | flat(6Aug00) | SBC Warburg |
| Swedish Export Credit Crp★ | 130 | Aug 2001 | 5.64§ | 100.00 | 5.640 | - | IBJ Intl/New Japan |
| **D-MARKS** | | | | | | | |
| Comerica Bank‡ | 200 | Aug 2002 | (c) | 100.06 | - | - | Lehman Bros Bankhaus |
| Barclays O'seas Capl Corp‡ | 300 | Dec 2002 | (q,s) | 99.892R | - | - | BZW Deutschland |
| Irish Permanent Treasury‡ | 150 | Aug 2004 | (r) | 99.855 | - | - | HSBC Trinkaus |
| **YEN** | | | | | | | |
| CIBC‡ | 30bn | Aug 2000 | (w) | 100.00R | - | - | Tokyo-Mitsubishi Intl |
| **STERLING** | | | | | | | |
| WBF, Class A1(e1)‡ | 42 | Jan 2007 | (e2,l) | 100.00R | - | - | Bankers Tst/Chase |
| WBF, Class A2(e3)‡ | 85 | Mar 2011 | (e4,l) | 100.00R | - | - | Bankers Tst/Chase |
| WBF, Class A3(e5,l) | 127 | Sep 2015 | 7.95 | 100.00R | 7.95 | +95(8%-13) | Bankers Tst/BZW/Chase |
| WBF, Class B1(e6,l) | 67 | Sep 2017 | 8.284 | 100.00R | 8.284 | +130(8¾-17) | Bankers Tst/BZW/Chase |
| BAA(t,l)§ | 200 | Sep 2004 | 4.875§ | 100.00 | - | - | UBS |
| BT Securities Corp‡ | 125 | Aug 1999 | (l) | 99.95R | - | - | SBC Warburg |
| Thorn Finance | 100 | Sep 2007 | 8.00 | 99.23R | 8.115 | +90(7¼Dec07) | HSBC Markets |
| ICI‡ | 100 | Feb 1999 | (k) | 100.00 | - | - | SBC Warburg |
| Salomon Inc‡ | 125 | Oct 2002 | (l) | 99.68R | - | - | Salomon Brothers Intl |
| **FRENCH FRANCS** | | | | | | | |
| Bayerische Hypo | 2bn | Sep 2009 | 5.875 | 99.684R | 5.913 | +20(l) | Crdt Agricole Indosuez |
| LW Rentenbank‡ | 500 | Sep 2007 | (u) | 100.00R | - | - | BNP/CDC Marchés |
| **SWISS FRANCS** | | | | | | | |
| LB Rheinland-Pfalz(s)★ | 100 | Dec 2002 | 2.75 | 100.85 | - | - | SBC Warburg |
| **ITALIAN LIRE** | | | | | | | |
| European Inv'ment Bank(m) | 200bn | Mar 2002 | 6.20 | 102.202 | 5.620 | - | IMI Bank Luxembourg |
| L-Bank | 300bn | Sep 2002 | 6.25 | 101.6827 | 5.852 | - | BNP/Deutsche MG |
| **AUSTRALIAN DOLLARS** | | | | | | | |
| State Bank of NSW(j) | 100 | Dec 2005 | 5.75 | 100.715 | - | - | [illegible] |
| **CANADIAN DOLLARS** | | | | | | | |
| Bayerische [illegible] | 100 | Dec 2005 | 5.25 | 99.028 | 5.57 | [illegible] | TD Securities |
| **NEW ZEALAND DOLLARS** | | | | | | | |
| World Bank | 600 | Aug 2007 | zero | 51.498 | 5.882 | +58 | TD Securities |
| Deutsche Ausgleichsbank | 300 | Aug 2002 | 7.25 | 100.685 | [illegible] | - | Deutsche/TD Securities |
| TCNZ Finance | 100 | Sep 1999 | 7.50 | 100.88 | 7.013 | - | Hambros Bank |
| **DANISH KRONER** | | | | | | | |
| Deutsche Bank Finance(t) | 400 | Dec 2003 | 5.625 | 101.561 | - | - | [illegible] |
| **LUXEMBOURG FRANCS** | | | | | | | |
| Argentaria Luxembourg | 2bn | Sep 2002 | 5.00 | 100.00 | 5.000 | - | BCE |
| **ESCUDOS** | | | | | | | |
| Navigator Strip(s)(u) | 12.47m | - | - | - | - | - | [illegible] |
| **DRACHMA** | | | | | | | |
| International Finance Corp‡ | 27.5bn | Aug 2002 | (l) | 100.00R | - | - | Barclays Athens |
| Ford Credit Europe(s) | 10bn | Mar 2009 | 9.45 | 100.108R | 9.448 | - | Deutsche Morgan G'fell |

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ◊With equity warrants. ★Unlisted. §Semi-annual coupon and yield. R: fixed re-offer price. a) Seven tranche structured securitisation. b) Linked to Brazilian currency constraints. c) 3-mth Libor +6¼bp. d) 3-mth Libor +20bp. e) Welcome Break Finance. Quarterly coupons and yields. e1) Callable on any coupon date. Av life: 8.3 yrs. e2) 3-mth Libor +65bp. e3) Callable on any coupon date. Av life: 11.9 yrs. e4) 3-mth Libor +85bp to Jun 07, then +200bp. e5) Spens call provision. Av life 15.9 yrs. e6) Spens call provision. Av life 19.1 yrs. f) 3-mth Aibor -75bp. g) 6-mth Libor +250bp. h) Conversion price: 672p. Callable from 29/9/00, with 2 yrs of 130% protection; at par. i) Over interpolated yield. j) 3-mth Libor flat. k) 3-mth Libor -⅛%. l) Long 1st coupon. m) Fungible with L900bn. Plus 185 days accrued. n) Includes $100m increase at 100.027R, +39bp. o1) Callable & puttable on 14/8/00 at 99.8419%. o2) Callable from 15/8/02 at 103.9844% falling 1.3281%pa. p) Puttable on 15/8/07, 12, 17 & 22. q) 3-mth Libor -⅛%. r) 3-mth Libor +6¼bp. s) Short 1st coupon. t) 3-mth Libor +37½bp. u) 4.285% to 3/8/02, then Tec-10 flat. v) 11 series of zero coupon bonds matching cash flows from Esc7.5bn Portuguese govt bonds 6⅝% due 23/2/07. w) 3-mth Libor -⅛%. Note: Yields are calculated on ISMA basis.



## CONTRACTS & TENDERS

# CURRENCIES AND MONEY

## POUND SPOT FORWARD AGAINST THE POUND

| Aug 8 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 20.5816 | -0.3243 | 724 - 907 | 20.9962 | 20.4880 | 20.5272 | 3.2 | 20.4145 | 3.2 | 19.9091 | 3.3 | 101.6 |
| Belgium | (BFr) | 60.4212 | -0.957 | 743 - 680 | 61.6270 | 60.2320 | 60.2412 | 3.6 | 59.8712 | 3.6 | 58.1212 | 3.8 | 101.1 |
| Denmark | (DKr) | 11.1382 | -0.1774 | 348 - 498 | 11.3700 | 11.1121 | 11.1077 | 3.4 | 11.0437 | 3.4 | 10.7522 | 3.5 | 103.1 |
| Finland | (FM) | 8.7402 | -0.1486 | 339 - 464 | 8.9360 | 8.7150 | 8.7149 | 3.5 | 8.6623 | 3.6 | 8.4497 | 3.3 | 80.6 |
| France | (FFr) | 9.8581 | -0.1675 | 546 - 615 | 10.0637 | 9.8164 | 9.8251 | 4.0 | 9.7681 | 3.7 | 9.4926 | 3.7 | 103.6 |
| Germany | (DM) | 2.9249 | -0.0482 | 237 - 261 | 2.9951 | 2.9111 | 2.9156 | 3.8 | 2.8965 | 3.9 | 2.8096 | 3.9 | 101.6 |
| Greece | (Dr) | 457.918 | -6.582 | 683 - 152 | 466.596 | 456.093 | 459.701 | -4.7 | 462.325 | -3.8 | 470.693 | -2.8 | 65.1 |
| Ireland | (I£) | 1.0994 | -0.0083 | 973 - 014 | 1.1084 | 1.0966 | 1.0989 | 0.5 | 1.0975 | 0.7 | 1.0866 | 1.2 | 98.2 |
| Italy | (L) | 2852.72 | -51.93 | 097 - 447 | 2917.18 | 2842.28 | 2852.8 | 0.0 | 2852.78 | 0.0 | 2850.16 | 0.1 | 75.6 |
| Luxembourg | (LFr) | 60.4212 | -0.957 | 743 - 680 | 61.6270 | 60.2320 | 60.2412 | 3.6 | 59.8712 | 3.6 | 58.1212 | 3.8 | 101.1 |
| Netherlands | (Fl) | 3.2958 | -0.0519 | 944 - 972 | 3.3632 | 3.2816 | 3.2858 | 3.7 | 3.2647 | 3.8 | 3.1887 | 3.9 | 100.4 |
| Norway | (NKr) | 11.9936 | -0.2172 | 866 - 006 | 12.2705 | 11.9457 | 11.9611 | 3.3 | 11.9001 | 3.1 | 11.6311 | 3.0 | 96.6 |
| Portugal | (Es) | 296.108 | -4.677 | 954 - 262 | 301.858 | 295.300 | 295.952 | 0.6 | 295.422 | 0.9 | 291.334 | 1.6 | 91.9 |
| Spain | (Pta) | 248.838 | -3.901 | 752 - 924 | 251.840 | 248.060 | 248.523 | 1.5 | 245.773 | 1.7 | 241.403 | 2.2 | 76.4 |
| Sweden | (SKr) | 12.5267 | -0.2412 | 195 - 338 | 12.8380 | 12.4921 | 12.4982 | 2.6 | 12.4407 | 2.7 | 12.1842 | 2.7 | 86.2 |
| Switzerland | (SFr) | 2.3848 | -0.042 | 834 - 862 | 2.4428 | 2.3725 | 2.3739 | 5.5 | 2.3513 | 5.6 | 2.251 | 5.6 | 105.9 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 101.3 |
| Ecu | - | 1.4878 | -0.0217 | 869 - 886 | 1.5158 | 1.4823 | 1.4846 | 2.7 | 1.4773 | 2.8 | 1.4433 | 3.0 | - |
| SDR† | - | 1.191415 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.5776 | -0.0081 | 772 - 780 | 1.5937 | 1.5869 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.7132 | -0.0076 | 126 - 138 | 1.7295 | 1.7007 | - | - | - | - | - | - | - |
| Canada | (C$) | 2.1980 | -0.0043 | 950 - 989 | 2.2122 | 2.1748 | 2.1892 | 3.7 | 2.1755 | 3.7 | 2.1246 | 3.3 | 84.5 |
| Mexico | (New Peso) | 12.3336 | - | 226 - 446 | 12.4279 | 12.2477 | - | - | - | - | - | - | - |
| USA | ($) | 1.5784 | -0.0076 | 780 - 788 | 1.5940 | 1.5672 | 1.5765 | 1.4 | 1.5727 | 1.5 | 1.5566 | 1.4 | 105.9 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 2.1585 | +0.0035 | 572 - 598 | 2.1782 | 2.1419 | 2.1549 | 2.0 | 2.1465 | 2.2 | 2.1098 | 2.3 | 92.3 |
| Hong Kong | (HK$) | 12.2192 | -0.0589 | 153 - 231 | 12.3400 | 12.1348 | 12.2182 | 0.1 | 12.2118 | 0.2 | 12.1567 | 0.5 | - |
| India | (Rs) | 56.3728 | -0.2505 | 188 - 263 | 56.9250 | 55.9960 | 56.5678 | -4.2 | 56.9884 | -4.2 | 58.6481 | -4.0 | - |
| Israel | (Shk) | 5.5589 | -0.0475 | 476 - 682 | 5.6271 | 5.5424 | - | - | - | - | - | - | - |
| Japan | (Y) | 182.905 | -5.036 | 796 - 015 | 188.980 | 180.930 | 181.885 | 6.7 | 179.88 | 6.7 | 170.875 | 6.6 | 134.9 |
| Malaysia | (M$) | 4.2554 | +0.0636 | 503 - 604 | 4.2668 | 4.1586 | 4.2598 | -1.2 | 4.2676 | -1.2 | 4.2863 | -0.7 | - |
| New Zealand | (NZ$) | 2.4831 | +0.0001 | 811 - 851 | 2.5067 | 2.4845 | 2.4863 | -1.5 | 2.4901 | -1.1 | 2.4907 | -0.3 | 106.9 |
| Philippines | (Peso) | 45.1424 | -0.1381 | 674 - 273 | 45.6273 | 44.8574 | 45.3023 | -4.2 | 45.5517 | -3.6 | 46.6087 | -3.2 | - |
| Saudi Arabia | (SR) | 5.9197 | -0.0286 | 181 - 213 | 5.9781 | 5.8786 | 5.9182 | 0.7 | 5.9078 | 0.8 | 5.8713 | 0.8 | - |
| Singapore | (S$) | 2.3376 | +0.0006 | 354 - 398 | 2.3527 | 2.3126 | 2.333 | 2.4 | 2.3229 | 2.5 | 2.2747 | 2.7 | - |
| South Africa | (R) | 7.3686 | -0.0593 | 645 - 730 | 7.4812 | 7.3553 | 7.4295 | -9.9 | 7.5474 | -9.7 | 7.9844 | -8.4 | - |
| South Korea | (Won) | 1411.88 | -5.21 | 837 - 539 | 1425.51 | 1401.70 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 45.3002 | -0.6383 | 519 - 484 | 45.8336 | 45.0519 | 45.2836 | 0.4 | 45.2438 | 0.5 | 45.0461 | 0.6 | - |
| Thailand | (Bt) | 49.4040 | +0.2775 | 125 - 954 | 49.5240 | 48.3125 | 49.7406 | -8.2 | 50.2022 | -6.5 | 51.2324 | -3.7 | - |

† Rates for Aug 7. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the Internet at http://www.FT.com

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Aug 8 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | J.P. Morgan index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 13.0395 | -0.142 | 370 - 420 | 13.2020 | 12.9420 | 13.0155 | 2.2 | 12.9665 | 2.2 | 12.7425 | 2.3 | 101.2 |
| Belgium | (BFr) | 38.2800 | -0.42 | 600 - 000 | 38.7390 | 38.0300 | 38.205 | 2.4 | 38.0535 | 2.4 | 37.36 | 2.4 | 101.1 |
| Denmark | (DKr) | 7.0573 | -0.078 | 563 - 583 | 7.1455 | 7.0529 | 7.0458 | 2.0 | 7.0213 | 2.0 | 6.9149 | 2.0 | 102.2 |
| Finland | (FM) | 5.5374 | -0.0671 | 348 - 399 | 5.6152 | 5.5036 | 5.5259 | 2.5 | 5.5023 | 2.5 | 5.4084 | 2.3 | 80.1 |
| France | (FFr) | 6.2456 | -0.0757 | 450 - 462 | 6.3287 | 6.1992 | 6.234 | 2.2 | 6.2102 | 2.3 | 6.1014 | 2.3 | 102.7 |
| Germany | (DM) | 1.8531 | -0.0202 | 528 - 534 | 1.8764 | 1.8388 | 1.8493 | 2.5 | 1.8415 | 2.5 | 1.8065 | 2.5 | 101.1 |
| Greece | (Dr) | 290.115 | -2.76 | 040 - 190 | 293.360 | 288.010 | 291.41 | -5.4 | 293.465 | -4.6 | 300.615 | -3.6 | 64.8 |
| Ireland | (I£) | 1.4358 | +0.0039 | 334 - 381 | 1.4440 | 1.4210 | 1.435 | 0.6 | 1.4341 | 0.5 | 1.4345 | 0.1 | - |
| Italy | (L) | 1807.35 | -23.7 | 670 - 800 | 1832.90 | 1795.70 | 1809.12 | -1.2 | 1812.12 | -1.1 | 1815.55 | -0.5 | 75.0 |
| Luxembourg | (LFr) | 38.2800 | -0.42 | 600 - 000 | 38.7390 | 38.0300 | 38.205 | 2.4 | 38.0535 | 2.4 | 37.36 | 2.4 | 101.1 |
| Netherlands | (Fl) | 2.0881 | -0.0227 | 877 - 884 | 2.1139 | 2.0726 | 2.0838 | 2.4 | 2.0753 | 2.4 | 2.0376 | 2.4 | 100.2 |
| Norway | (NKr) | 7.5986 | -0.1005 | 961 - 011 | 7.7213 | 7.5438 | 7.5842 | 2.3 | 7.5557 | 2.3 | 7.444 | 2.0 | 95.6 |
| Portugal | (Es) | 187.600 | -2.05 | 550 - 650 | 189.850 | 186.450 | 187.584 | 0.2 | 187.51 | 0.2 | 186.34 | 0.7 | 92.3 |
| Spain | (Pta) | 156.385 | -1.71 | 370 - 400 | 158.330 | 155.400 | 156.34 | 0.3 | 156.165 | 0.6 | 154.99 | 0.9 | 75.8 |
| Sweden | (SKr) | 7.9363 | -0.1141 | 338 - 388 | 8.0616 | 7.9315 | 7.9272 | 1.4 | 7.9079 | 1.4 | 7.8339 | 1.3 | 85.2 |
| Switzerland | (SFr) | 1.5109 | -0.0193 | 104 - 114 | 1.5336 | 1.4980 | 1.5055 | 4.2 | 1.4949 | 4.2 | 1.4494 | 4.1 | 105.3 |
| UK | (£) | 1.5784 | -0.0076 | 780 - 788 | 1.5940 | 1.5672 | 1.5765 | 1.4 | 1.5727 | 1.5 | 1.5566 | 1.4 | 102.4 |
| Ecu | - | 1.0610 | +0.0103 | 606 - 613 | 1.0688 | 1.0495 | 1.0624 | -1.6 | 1.0656 | -1.8 | 1.0812 | -1.9 | - |
| SDR† | - | 0.74370 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 0.9995 | -0.0003 | 995 - 995 | 0.9995 | 0.9995 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.0854 | +0.0004 | 853 - 855 | 1.0855 | 1.0852 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.3913 | +0.0039 | 910 - 915 | 1.3930 | 1.3864 | 1.3881 | 2.7 | 1.3824 | 2.5 | 1.3619 | 2.1 | 84.9 |
| Mexico | (New Peso) | 7.8140 | +0.0375 | 090 - 190 | 7.8280 | 7.5090 | 7.9225 | -16.7 | 8.1335 | -16.4 | 9.044 | -15.7 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 107.5 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.3675 | +0.0087 | 671 - 680 | 1.3680 | 1.3665 | 1.3669 | 0.5 | 1.3651 | 0.7 | 1.3567 | 0.8 | 95.0 |
| Hong Kong | (HK$) | 7.7415 | - | 410 - 420 | 7.7420 | 7.7410 | 7.742 | -0.1 | 7.7429 | -0.1 | 7.7452 | 0.0 | - |
| India | (Rs) | 35.7150 | +0.013 | 900 - 400 | 35.7400 | 35.6900 | 35.8525 | -4.6 | 36.1375 | -4.7 | 37.35 | -4.6 | - |
| Israel | (Shk) | 3.5206 | -0.0131 | 156 - 256 | 3.5386 | 3.5153 | - | - | - | - | - | - | - |
| Japan | (Y) | 115.880 | -2.62 | 840 - 920 | 118.630 | 114.500 | 115.385 | 5.3 | 114.365 | 5.2 | 110.065 | 5.0 | 133.7 |
| Malaysia | (M$) | 2.6960 | +0.053 | 935 - 985 | 2.7000 | 2.6420 | 2.7005 | -2.0 | 2.7095 | -2.0 | 2.7395 | -1.6 | - |
| New Zealand | (NZ$) | 1.5732 | +0.0076 | 723 - 741 | 1.5741 | 1.5723 | 1.574 | -0.6 | 1.5764 | -0.8 | 1.5865 | -0.8 | - |
| Philippines | (Peso) | 28.6000 | +0.05 | 000 - 000 | 28.6000 | 28.3000 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 3.7505 | - | 504 - 505 | 3.7505 | 3.7500 | 3.7512 | -0.2 | 3.7532 | -0.2 | 3.7563 | -0.2 | - |
| Singapore | (S$) | 1.4810 | +0.0075 | 800 - 820 | 1.4835 | 1.4720 | 1.4793 | 1.4 | 1.4755 | 1.5 | 1.456 | 1.7 | - |
| South Africa | (R) | 4.6685 | -0.015 | 670 - 700 | 4.7000 | 4.6645 | 4.709 | -10.4 | 4.7885 | -10.3 | 5.091 | -9.1 | - |
| South Korea | (Won) | 894.500 | +1 | 500 - 500 | 896.500 | 892.500 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 28.7000 | -0.265 | 500 - 500 | 28.8500 | 28.5500 | 28.711 | -0.5 | 28.72 | -0.3 | 28.8125 | -0.4 | - |
| Thailand | (Bt) | 31.3000 | +0.325 | 500 - 500 | 31.3500 | 30.6700 | 31.745 | -17.1 | 32.45 | -14.7 | 33.68 | -7.6 | - |

† SDR rate per $ for Aug 7. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 7: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

## WORLD INTEREST RATES

### MONEY RATES

| August 8 | Over night | One month | Three mths | Six mths | One year | Lomb. Inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Belgium | 3⅛ | 3⅛ | 3⅛ | 3⅛ | 3⅜ | 6.00 | 2.50 | - |
| week ago | 3⅛ | 3⅛ | 3⅛ | 3⅛ | 3⅜ | 6.00 | 2.50 | - |
| France | 3⅛ | 3⅛ | 3⅛ | 3⅜ | 3⅜ | 3.10 | - | 4.75 |
| week ago | 3⅛ | 3⅛ | 3⅛ | 3½ | 3⅝ | 3.10 | - | 4.75 |
| Germany | 3⅛ | 3⅛ | 3⅛ | 3⅜ | 3½ | 4.50 | 2.50 | 3.00 |
| week ago | 3 | 3⅛ | 3⅛ | 3⅜ | 3⅜ | 4.50 | 2.50 | 3.00 |
| Ireland | 6¼ | 6⅛ | 6⅛ | 6⅜ | 6⅜ | - | - | 6.75 |
| week ago | 6⅜ | 6¼ | 6⅜ | 6⅜ | 6⅜ | - | - | 6.75 |
| Italy | 6⅞ | 6⅞ | 6⅞ | 6¾ | 6⅝ | 7.75 | 6.25 | 6.27 |
| week ago | 6⅞ | 6⅞ | 6⅞ | 6⅞ | 6⅝ | 7.75 | 6.25 | 6.27 |
| Netherlands | 3⅛ | 3⅛ | 3⅛ | 3⅜ | 3⅜ | - | 2.50 | 3.00 |
| week ago | 3⅛ | 3⅛ | 3¼ | 3⅜ | 3½ | - | 2.50 | 2.90 |
| Switzerland | 1 | 1⅜ | 1½ | 1⅝ | 1⅝ | - | 1.00 | - |
| week ago | 1½ | 1⅜ | 1⅜ | 1⅝ | 1⅝ | - | 1.00 | - |
| US | 5⅝ | 5⅝ | 5⅝ | 5⅝ | 5⅝ | - | 5.00 | - |
| week ago | 5⅝ | 5⅝ | 5⅝ | 5⅝ | 5⅝ | - | 5.00 | - |
| Japan | ½ | ½ | ½ | ½ | ½ | - | 0.50 | - |
| week ago | ½ | ½ | ½ | ½ | ½ | - | 0.50 | - |

■ $ LIBOR FT London

| | Over night | One month | Three mths | Six mths | One year | Lomb. Inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Interbank Fixing | - | 5⅝ | 5⅝ | 5⅝ | 6 | - | - | - |
| week ago | - | 5⅝ | 5⅝ | 5⅝ | 5⅝ | - | - | - |
| US Dollar CDs | - | 5.39 | 5.45 | 5.55 | 5.75 | - | - | - |
| week ago | - | 5.39 | 5.44 | 5.51 | 5.64 | - | - | - |
| ECU Linked Ds | - | 4⅛ | 4⅛ | 4⅛ | 4⅛ | - | - | - |
| week ago | - | 4⅛ | 4¼ | 4⅛ | 4⅛ | - | - | - |
| SDR Linked Ds | - | 3½ | 3⅝ | 3⅝ | 3⅝ | - | - | - |
| week ago | - | 3½ | 3⅝ | 3⅝ | 3⅝ | - | - | - |

$ LIBOR Interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

### EURO CURRENCY INTEREST RATES

| Aug 8 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Belgian Franc | 3½ - 3⅜ | 3⅝ - 3½ | 3⅝ - 3½ | 3⅝ - 3½ | 3⅝ - 3½ | 3¾ - 3⅝ |
| Danish Krone | 3½ - 3⅜ | 3⅝ - 3½ | 3⅝ - 3½ | 3⅝ - 3½ | 3⅞ - 3¾ | 4⅛ - 3⅞ |
| German Mark | 3⅛ - 2⅞ | 3¼ - 3⅛ | 3⅛ - 3⅛ | 3¼ - 3⅛ | 3⅜ - 3¼ | 3½ - 3⅜ |
| Dutch Guilder | 3¼ - 3⅛ | 3⅜ - 3¼ | 3⅜ - 3¼ | 3⅜ - 3¼ | 3½ - 3⅜ | 3⅞ - 3¾ |
| French Franc | 3¼ - 3⅛ | 3⅜ - 3¼ | 3⅜ - 3¼ | 3½ - 3⅜ | 3⅝ - 3½ | 3⅞ - 3¾ |
| Portuguese Esc. | 5⅞ - 5⅝ | 5⅞ - 5⅝ | 5¾ - 5½ | 5⅝ - 5⅜ | 5⅝ - 5⅜ | 5⅝ - 5⅜ |
| Spanish Peseta | 5½ - 5⅜ | 5⅝ - 5⅜ | 5⅜ - 5¼ | 5⅜ - 5¼ | 5⅜ - 5¼ | 5¼ - 5⅛ |
| Sterling | 6⅞ - 6⅝ | 7⅛ - 6⅞ | 7⅛ - 6⅞ | 7⅜ - 7¼ | 7⅜ - 7¼ | 7⅝ - 7½ |
| Swiss Franc | 1¼ - ¾ | 1⅜ - 1⅛ | 1⅝ - 1½ | 1⅝ - 1½ | 1⅝ - 1½ | 1⅞ - 1¾ |
| Canadian Dollar | 3⅜ - 3⅛ | 3⅜ - 3¼ | 3⅝ - 3½ | 3⅞ - 3¾ | 4⅛ - 3⅞ | 4⅝ - 4½ |
| US Dollar | 5⅝ - 5½ | 5⅝ - 5½ | 5⅝ - 5⅝ | 5⅝ - 5⅝ | 5⅞ - 5⅝ | 6⅛ - 5⅞ |
| Italian Lira | 7⅜ - 6⅜ | 6⅞ - 6⅞ | 6⅞ - 6⅞ | 6⅞ - 6⅞ | 6⅞ - 6⅞ | 6⅝ - 6½ |
| Japanese Yen | ½ - ⅜ | ½ - ⅜ | ⅝ - ½ | ⅝ - ½ | ⅝ - ½ | ⅝ - ½ |
| Asian $Sing | 1⅛ - 1 | 3 - 2⅞ | 3¾ - 3⅝ | 3⅞ - 3¾ | 3⅞ - 3¾ | 3⅞ - 3¾ |

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 94.26 | 94.23 | -0.03 | 94.26 | 94.22 | 43,311 | 516,892 |
| Dec | 94.07 | 93.99 | -0.08 | 94.07 | 93.95 | 70,536 | 475,461 |
| Mar | 93.98 | 93.89 | -0.09 | 93.98 | 93.86 | 92,727 | 334,371 |

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 94.87 | 94.86 | -0.01 | 94.87 | 94.85 | 466 | 7,097 |
| Dec | 94.74 | 94.70 | -0.06 | 94.74 | 94.67 | 47 | 833 |

All Open interest figs. are for previous day

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Aug 8 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 18.44 | 16.32 | 4.841 | 1.819 | 4721 | 5.455 | 19.85 | 490.1 | 408.5 | 20.73 | 3.947 | 1.655 | 3.635 | 2.612 | 302.7 | 2.462 |
| Denmark | (DKr) | 54.24 | 10 | 8.850 | 2.626 | 0.987 | 2561 | 2.959 | 10.77 | 265.8 | 221.6 | 11.25 | 2.141 | 0.898 | 1.971 | 1.417 | 164.2 | 1.336 |
| France | (FFr) | 61.29 | 11.30 | 10 | 2.967 | 1.115 | 2894 | 3.343 | 12.17 | 300.4 | 250.4 | 12.71 | 2.419 | 1.014 | 2.228 | 1.601 | 185.5 | 1.509 |
| Germany | (DM) | 20.66 | 3.808 | 3.370 | 1 | 0.376 | 975.3 | 1.127 | 4.100 | 101.2 | 84.39 | 4.283 | 0.815 | 0.342 | 0.751 | 0.540 | 62.53 | 0.509 |
| Ireland | (I£) | 54.98 | 10.13 | 8.967 | 2.661 | 1 | 2595 | 2.998 | 10.91 | 269.4 | 224.5 | 11.39 | 2.169 | 0.910 | 1.998 | 1.436 | 166.4 | 1.353 |
| Italy | (L) | 2.118 | 0.390 | 0.346 | 0.103 | 0.039 | 100 | 0.116 | 0.420 | 10.38 | 8.653 | 0.439 | 0.084 | 0.035 | 0.077 | 0.055 | 6.412 | 0.052 |
| Netherlands | (Fl) | 18.33 | 3.380 | 2.991 | 0.887 | 0.334 | 865.5 | 1 | 3.639 | 89.84 | 74.89 | 3.801 | 0.724 | 0.303 | 0.666 | 0.479 | 55.50 | 0.451 |
| Norway | (NKr) | 50.38 | 9.288 | 8.219 | 2.439 | 0.917 | 2379 | 2.748 | 10 | 246.9 | 205.8 | 10.44 | 1.988 | 0.834 | 1.831 | 1.316 | 152.5 | 1.240 |
| Portugal | (Es) | 20.41 | 3.762 | 3.329 | 0.988 | 0.371 | 963.4 | 1.113 | 4.050 | 100 | 83.36 | 4.230 | 0.805 | 0.338 | 0.742 | 0.533 | 61.77 | 0.502 |
| Spain | (Pta) | 24.48 | 4.513 | 3.994 | 1.185 | 0.445 | 1156 | 1.335 | 4.859 | 120.0 | 100 | 5.075 | 0.966 | 0.405 | 0.890 | 0.639 | 74.10 | 0.603 |
| Sweden | (SKr) | 48.23 | 8.892 | 7.870 | 2.335 | 0.878 | 2277 | 2.631 | 9.574 | 236.4 | 197.1 | 10 | 1.904 | 0.798 | 1.753 | 1.260 | 146.0 | 1.188 |
| Switzerland | (SFr) | 25.34 | 4.671 | 4.134 | 1.226 | 0.461 | 1196 | 1.382 | 5.029 | 124.2 | 103.5 | 5.253 | 1 | 0.419 | 0.921 | 0.662 | 76.70 | 0.624 |
| UK | (£) | 60.42 | 11.14 | 9.858 | 2.925 | 1.099 | 2853 | 3.296 | 11.99 | 296.1 | 246.8 | 12.53 | 2.385 | 1 | 2.196 | 1.578 | 182.9 | 1.488 |
| Canada | (C$) | 27.51 | 5.072 | 4.489 | 1.332 | 0.501 | 1299 | 1.501 | 5.462 | 134.8 | 112.4 | 5.704 | 1.086 | 0.455 | 1 | 0.719 | 83.28 | 0.677 |
| USA | ($) | 38.28 | 7.057 | 6.246 | 1.853 | 0.696 | 1807 | 2.088 | 7.599 | 187.6 | 156.4 | 7.936 | 1.511 | 0.634 | 1.391 | 1 | 115.9 | 0.943 |
| Japan | (Y) | 33.03 | 6.090 | 5.390 | 1.599 | 0.601 | 1560 | 1.802 | 6.557 | 161.9 | 135.0 | 6.849 | 1.304 | 0.547 | 1.201 | 0.863 | 100 | 0.813 |
| Ecu | - | 40.62 | 7.488 | 6.627 | 1.966 | 0.739 | 1918 | 2.215 | 8.062 | 199.0 | 165.9 | 8.420 | 1.603 | 0.672 | 1.476 | 1.061 | 122.9 | 1 |

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 0.5368 | 0.5426 | +0.0059 | 0.5455 | 0.5343 | 29,462 | 123,679 |
| Dec | 0.5419 | 0.5458 | +0.0060 | 0.5488 | 0.5418 | 131 | 3,432 |
| Mar | - | 0.5491 | +0.0062 | 0.5506 | - | 148 | 921 |

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 0.6583 | 0.6650 | +0.0088 | 0.6708 | 0.6551 | 10,149 | 59,515 |
| Dec | 0.6668 | 0.6719 | +0.009 | 0.6777 | 0.6664 | 563 | 2,312 |
| Mar | - | 0.6789 | +0.0093 | 0.6820 | - | 42 | 1,059 |

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 0.8490 | 0.8766 | +0.028 | 0.8810 | 0.8474 | 22,910 | 82,314 |
| Dec | 0.8675 | 0.8881 | +0.0285 | 0.8900 | 0.8670 | 288 | 2,219 |
| Mar | - | 0.9001 | +0.0291 | 0.8985 | - | 1 | 413 |

■ STERLING FUTURES (IMM) £62,500 per £

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 1.5876 | 1.5840 | -0.0018 | 1.5920 | 1.5850 | 22,258 | 52,495 |
| Dec | 1.5800 | 1.5786 | -0.0014 | 1.5800 | 1.5850 | 235 | 950 |
| Mar | - | 1.5732 | -0.001 | - | 1.5810 | 1 | 209 |

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

| Strike Price | CALLS Aug | Sep | Oct | PUTS Aug | Sep | Oct |
|---|---|---|---|---|---|---|
| 1.570 | 1.87 | 2.75 | 3.31 | 0.45 | 1.50 | 2.22 |
| 1.580 | 1.21 | 2.23 | 2.77 | 0.74 | 1.93 | 2.64 |
| 1.590 | 0.72 | 1.76 | 2.36 | 1.26 | 2.51 | 3.18 |

Previous day's vol., Calls 1,182 Puts 3,854. Prev. day's open int., Calls 32,457 Puts 37,140

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

| Strike Price | CALLS Aug | Sep | Oct | PUTS Aug | Sep | Oct |
|---|---|---|---|---|---|---|
| 0.535 | 0.77 | 1.18 | 1.48 | 0.13 | 0.41 | 0.63 |
| 0.540 | 0.44 | 0.87 | 1.19 | 0.26 | 0.61 | 0.83 |
| 0.545 | 0.20 | 0.62 | 0.93 | 0.53 | 0.86 | 1.08 |

Previous day's vol., Calls 1,331 Puts 3,526. Prev. day's open int., Calls 16,914 Puts 14,704

## UK INTEREST RATES

### LONDON MONEY RATES

| Aug 8 | Over-night | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank Sterling | 7⅛ - 6½ | 7⅛ - 6⅞ | 7⅛ - 6⅞ | 7⅜ - 7⅛ | 7⅜ - 7⅛ | 7½ - 7⅜ |
| Sterling CDs | - | - | 6⅞ - 6⅞ | 6⅞ - 6⅞ | 7⅜ - 7⅜ | 7⅜ - 7¼ |
| Treasury Bills | - | - | 6⅞ - 6⅞ | 6⅞ - 6¾ | - | - |
| Bank Bills | - | - | 6⅞ - 6⅞ | 6⅞ - 6⅞ | 7⅜ - 7⅛ | - |
| Local authority deps. | 6⅝ - 6½ | 6¾ - 6⅝ | 6⅞ - 6⅞ | 7⅛ - 6⅞ | 7⅜ - 7½ | 7⅜ - 7⅜ |
| Discount Market deps. | 6⅞ - 6⅞ | 6¾ - 6⅝ | - | - | - | - |

UK clearing bank base lending rate 7 per cent from Aug 7, 1997

| | Up to 1 month | 1-3 month | 3-6 months | 6-9 months | 9-12 months |
|---|---|---|---|---|---|
| Certs of Tax dep. (£100,000) | 2½ | 5½ | 5 | 5 | 4¾ |

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Aug 8, 6.7800pc. ECGD fixed rate Stg. Export Finance. Make up day Jul 31, 1997. Agreed rate for period Aug 26, 1997 to Sep 23, 1997, Scheme III 8.27pc. Reference rate for period Jul 1, 1997 to Jul 31, 1997, Schemes IV & V 7.035pc. Finance House Base Rate 7pc from Aug 1, 1997

### BANK OF ENGLAND TREASURY BILL TENDER

| | Aug 8 | Aug 1 | | Aug 8 | Aug 1 |
|---|---|---|---|---|---|
| Bills on offer | £200m | £200m | Top accepted rate | 6.8186% | 6.7385% |
| Total of applications | £1031m | £1078m | Ave. rate of discount | 6.7800% | 6.7348% |
| Total allocated | £200m | £200m | Average yield | 6.8965% | 6.8498% |
| Min. accepted bid | £98.300 | £98.320 | Offer at next tender | £200m | £200m |
| Allotment at min. level | 38% | 86% | Min. accept. bid 92 days | - | - |

■ Pound in New York

| Aug 8 | -- Close -- | -- Prev. close -- |
|---|---|---|
| £ spot | 1.5875 | 1.5900 |
| 1 mth | 1.5855 | 1.5880 |
| 3 mth | 1.5818 | 1.5842 |
| 1 yr | 1.5680 | 1.5695 |

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on the Markets page in today's edition.

## BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 7.00 | Duncan Lawrie | 7.00 | Scottish Widows Bank | 7.00 |
| Allied Irish Bank (GB) | 7.00 | Exeter Bank Limited | 8.00 | ●Singer & Friedlander | 7.00 |
| ●Henry Ansbacher | 7.00 | Financial & Gen Bank | 7.50 | ●Smith & Williamson Secs | 7.00 |
| Bank of Baroda | 7.00 | ●Robert Fleming & Co | 7.00 | Sun Banking Corp Ltd | 7.00 |
| Banco Bilbao Vizcaya | 7.00 | ●Guinness Mahon | 6.75 | TSB | 7.00 |
| Bank of Cyprus | 7.00 | Habib Bank AG Zurich | 7.00 | United Bank of Kuwait | 7.00 |
| Bank of Ireland | 7.00 | ●Hambros Bank | 67.00 | Unity Trust Bank Plc | 7.00 |
| Bank of India | 6.75 | Heritable & Gen Inv Bk | 7.00 | Western Trust | 6.50 |
| Bank of Scotland | 7.00 | C. Hoare & Co | 7.00 | Whiteaway Laidlaw | 7.00 |
| Barclays Bank | 7.00 | Hongkong & Shanghai | 7.00 | Yorkshire Bank | 7.00 |
| Brit Bk of Mid East | 7.00 | Investec Bank (UK) Ltd | 7.00 | | |
| ●Brown Shipley & Co Ltd | 7.00 | Julian Hodge Bank | 7.00 | ● Members of London Investment Banking Association | |
| Citibank NA | 7.00 | ●Leopold Joseph & Sons | 7.00 | * In administration | |
| Clydesdale Bank | 7.00 | Lloyds Bank | 7.00 | | |
| The Co-operative Bank | 7.00 | Midland Bank | 7.00 | | |
| Coutts & Co | 7.00 | NatWestminster | 7.00 | | |
| Cyprus Popular Bank | 7.00 | ●Rea Brothers | 7.00 | | |
| | | Royal Bk of Scotland | 7.00 | | |

## OTHER STATISTICS

### STOCK INDICES

| | Aug 8 | Aug 7 | Aug 6 | Aug 5 | Aug 4 | 1997 High | 1997 Low | Since comp. High | Since comp. Low |
|---|---|---|---|---|---|---|---|---|---|
| FTSE 100 | 5031.3 | 5086.8 | 5026.2 | 4960.6 | 4905.7 | 5086.8 | 4056.6 | 5086.8 | 986.9 |
| FTSE 250 | 4650.5 | 4598.2 | 4517.3 | 4498.6 | 4485.0 | 4729.4 | 4388.2 | 4729.4 | 1379.4 |
| FTSE 250 ex IT | 4644.5 | 4588.4 | 4505.2 | 4488.4 | 4475.5 | 4773.8 | 4380.7 | 4773.8 | 1378.3 |
| FTSE 350 | 2415.8 | 2432.3 | 2400.8 | 2373.4 | 2346.8 | 2432.3 | 2017.9 | 2432.3 | 664.5 |
| FTSE SmallCap | 2209.78 | 2197.15 | 2188.77 | 2186.06 | 2186.64 | 2374.20 | 2170.29 | 2374.20 | 1363.79 |
| FTSE SmallCap ex IT | 2160.41 | 2147.41 | 2142.32 | 2145.65 | 2145.22 | 2382.38 | 2130.02 | 2382.38 | 1363.79 |
| FTSE All-Share | 2354.83 | 2369.07 | 2339.74 | 2314.74 | 2280.40 | 2369.07 | 1969.78 | 2369.07 | 61.92 |
| FTSE Fledgling | 1243.36 | 1237.27 | 1234.71 | 1235.64 | 1237.85 | 1346.82 | 1223.48 | 1346.52 | 31.14 |
| FTSE Eurotrack 100 | 2773.83 | 2794.80 | 2749.80 | 2743.94 | 2747.92 | 2794.80 | 1893.80 | 2794.80 | 900.45 |
| FTSE Eurotrack 200 | 2746.82 | 2785.37 | 2749.89 | 2743.58 | 2726.18 | 2785.37 | 1947.11 | 2785.37 | 938.62 |
| FT 30 | 3218.3 | 3222.3 | 3159.7 | 3117.0 | 3078.1 | 3222.3 | 2762.5 | 3222.3 | 49.40 |
| FT Govt Securities | 96.50 | 97.10 | 96.84 | 96.75 | 97.01 | 97.88 | 93.31 | 127.40 | 49.18 |
| FT Fixed Interest | 125.30 | 125.83 | 125.35 | 125.57 | 125.90 | 126.86 | 113.85 | 133.87 | 50.53 |
| FTSE Gold Mines | 1443.24 | 1398.63 | 1387.02 | 1374.44 | 1404.32 | 2074.61 | 1270.14 | 2074.61 | 922.16 |

### RIGHTS OFFERS

| Issue price p | Amount paid up | Latest Renun. date | 1997 High | 1997 Low | Stock | Closing price p | +or- |
|---|---|---|---|---|---|---|---|
| 10 | Nil | 14/8 | 1¼pm | 1pm | Activ Imaging | 1pm | |
| 11 | Nil | 18/8 | 3¼pm | 3pm | Fortune Oil | 3pm | |
| 21 | Nil | 22/8 | 2½pm | 2½pm | Golden Land | 2½pm | |
| 605 | Nil | 21/8 | 202½pm | 140pm | Logica | 202½pm | +40 |

pm premium.

### LONDON RECENT ISSUES: EQUITIES

| Issue price p | Amt paid up | Mkt. cap (£m.) | 1997 High | 1997 Low | Stock | Close price p | +/- | Net div. | Div. cov. | Grs yld | P/E net |
|---|---|---|---|---|---|---|---|---|---|---|---|
| § | F.P. | 4,882 | 234½ | 220½ | Billiton | 234½ | +6½ | RQ10c | 1.8 | 2.7 | 23.1 |
| * | F.P. | 7.24 | 74½ | 72½ | †Blakes Clothing | 72½ | -1 | L1.45 | 5.1 | 2.5 | 7.9 |
| - | F.P. | 133.8 | 108¾ | 101 | Bristol & W Prf | 107 | -1¼ | - | - | - | - |
| §100 | F.P. | 25.4 | 122½ | 109½ | Cammell Laird | 119½ | +1 | L3.8 | 2.1 | 4.0 | 11.5 |
| §260 | F.P. | 15.8 | 275 | 265 | Delcam | 267½ | | L2.5 | 4.4 | 1.2 | 24.2 |
| | F.P. | - | 116 | 114 | EMI B | 115 | | Z2.75 | - | 3.1 | - |
| §3 | F.P. | 4.61 | 3¾ | 3½ | †Fairplace Cnslig | 3¾ | | - | - | - | - |
| § | F.P. | 8.56 | 65 | 65 | †GR Holdings | 65 | | - | - | - | 51.6 |
| §150 | F.P. | 235.9 | 202 | 162½ | Galen Hldgs | 194½ | +1½ | L0.9 | 5.7 | 0.6 | 31.3 |
| § | F.P. | 24.6 | 162½ | 117½ | Gremlin Group | 131½ | -2 | R3.5 | 3.2 | 3.3 | 10.2 |
| §125 | F.P. | 8.02 | 135 | 102½ | †Helicon Publsg | 102½ | | - | - | - | - |
| § | F.P. | 574.2 | 386½ | 381½ | Ionica | 383 | +½ | - | - | - | - |
| §160 | F.P. | 17.0 | 175½ | 172½ | †Kingfisher Lei | 175½ | | LW2.0 | 6.0 | 1.4 | 14.6 |
| §173 | F.P. | 45.7 | 217½ | 185½ | Metroline | 212½ | -3 | R5.8 | 2.8 | 3.4 | 12.7 |
| 100 | F.P. | 32.7 | 112½ | 99½ | Raeburne Merlin | 108½ | | - | - | - | - |
| §100 | F.P. | 7.58 | 120½ | 105½ | †SBS Group | 106½ | | L2.4 | 2.0 | 2.8 | 18.7 |
| § | F.P. | 57.2 | 140½ | 136½ | Ted Baker | 138½ | -1 | L3.49 | 0.1 | 3.1 | - |
| - | F.P. | - | 22¾ | 19½ | Thorn B | 20½ | | - | - | - | - |
| - | F.P. | 75.0 | 87½ | 60 | Vigilan Tech | 61½ | +½ | - | - | - | - |

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

### BANK RETURN

| BANKING DEPARTMENT | Wednesday August 6, 1997 | Increase or decrease for week |
|---|---|---|
| **Liabilities** | £ | £ |
| Capital | 14,553,000 | |
| Public deposits | 1,261,628,274 | -4,896,618 |
| Bankers deposits | 2,511,027,812 | -96,718,954 |
| Reserve and other accounts | 3,302,563,932 | -25,016,409 |
| | 7,109,773,018 | -126,633,981 |
| **Assets** | | |
| Government securities | 1,403,306,305 | +28,175,000 |
| Advance and other accounts | 5,179,130,594 | +628,644,010 |
| Premise, equipment and other secs | 521,084,505 | -779,018,767 |
| Notes | 6,131,238 | -4,436,380 |
| Coin | 120,376 | +2,158 |
| | 7,109,773,018 | -126,633,981 |
| **ISSUE DEPARTMENT** | | |
| **Liabilities** | | |
| Notes in circulation | 22,103,868,762 | +54,436,380 |
| Notes in Banking Department | 6,131,238 | -4,436,380 |
| | 22,110,000,000 | +50,000,000 |
| **Assets** | | |
| Other Government securities | 12,590,834,856 | -958,882,614 |
| Other Securities | 9,519,165,144 | +1,008,882,614 |
| | 22,110,000,000 | +50,000,000 |

## FTSE GOLD MINES INDEX

| | Aug 8 | % chg since 31/12/96 | Mkt Cap $bn | % of Gold Mines | Gross div yield % | P/E ratio | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|---|---|
| Gold Mines Index (31) | 1443.24 | -28.9 | 38.91 | 100.00 | 2.19 | - | 2085.50 | 1270.14 |
| ■ Regional Indices | | | | | | | | |
| Africa (14) | 1413.43 | -33.5 | 8.47 | 21.76 | 5.45 | 23.33 | 2695.89 | 1324.06 |
| Australasia (6) | 1489.32 | -33.7 | 3.89 | 9.99 | 3.55 | 17.17 | 2455.10 | 1336.10 |
| North America (11) | 1485.81 | -13.2 | 26.56 | 68.25 | 0.95 | 74.47 | 1861.48 | 1244.23 |

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## UK GILTS PRICES

| | Notes | Price £ | Wk % +/- | Amnt £m | Interest due | Last xd | City line |
|---|---|---|---|---|---|---|---|
| **Shorts (Lives up to Five Years)** | | | | | | | |
| Treas 8¾pc 1997‡‡ | | 100⅛ | — | 5,550 | Mr1 Se1 | 20.2 | 1341 |
| Exch 15pc 1997 | | 101⅝ | -.2 | 930 | Ap27 Oc27 | 17.4 | 1288 |
| Exch 9¾pc 1998 | | 101⅛ | — | 3,550 | Jy19 Ja19 | 10.7 | 1273 |
| Treas 7¼pc 1998‡‡ | | 100⅛ | 0.1 | 8,150 | Se30 Mr30 | 19.3 | 1789 |
| Treas 15½pc '98‡‡ | | 109⅛ | — | 935 | Mr30 Se30 | 19.3 | 1308 |
| Exch 12pc 1998 | | 105⅞ | — | 3,908 | My20 Nv20 | 8.5 | 1259 |
| Treas 9½pc 1999‡‡ | | 103⅛ | 0.1 | 1,900 | Jy15 Ja15 | 4.7 | 1347 |
| Treas Flg Rate 1999‡‡ | | 100⅛ | — | 5,700 | 9MrJnSeDe | 2.6 | 4985 |
| Exch 12¼pc 1999 | | 107⅞ | — | 3,050 | Se26 Mr26 | 17.3 | 1264 |
| Treas 10½pc 1999 | | 105⅞ | 0.1 | 1,252 | Nv19 My19 | 8.5 | 1289 |
| Treas 6pc 1999 ‡‡ | | 98⅞xd | 0.1 | 6,950 | Fe10 Au10 | 31.7 | 3635 |
| Conv 10¼pc 1999 | | 106⅞ | 0.1 | 1,706 | My22 Nv22 | 13.5 | 1242 |
| Treas 8½pc 2000 ⅌ | | 103¼ | 0.1 | 109 | Jy28 Ja28 | 17.7 | - |
| Conv 9pc 2000‡‡ | | 104⅞ | 0.1 | 5,358 | Se3 Mr3 | 29.2 | 1244 |
| Treas 13pc 2000 | | 115¼ | — | 3,171 | Ja14 Jy14 | 3.7 | 1299 |
| Treas 14pc 1998-1 | | 105⅛ | -.1 | 470 | Nv22 My22 | 13.5 | 1306 |
| Treas 8pc 2000‡‡ | | 102⅞ | 0.1 | 9,800 | Ja7 De7 | 29.5 | 4840 |
| Treas Flg Rate 2001 | | 100⅛ | — | 3,000 | 80cJaApJy | 7.7 | - |
| Treas 10pc 2001 | | 108⅞ | — | 4,406 | Au26 Fe26 | 17.2 | 1280 |
| Conv 9¾pc 2001 ⅌ | | 107⅞ | — | 3 | Ja12 Jy12 | 3.7 | - |
| Conv 9¾pc 2001 ⅌ | | 108⅞xd | — | 35 | Fe10 Au10 | 31.7 | - |
| Treas 7pc 2001 ‡‡ | | 99⅞ | — | 12,750 | My6 Nv6 | 24.4 | 3031 |
| Exch 12pc 1999-2 ⅌ | | 108⅞ | — | 105 | Jy22 Ja22 | 11.7 | - |
| Conv 10pc 2002 ⅌ | | 111⅞ | — | 21 | Oc11 Ap11 | 2.4 | - |
| Treas 7pc 2002‡‡ | | 99⅞ | 0.1 | 7,500 | Dc7 Je7 | 29.5 | - |
| **Five to Fifteen Years** | | | | | | | |
| Conv 9½pc 2002 ⅌ | | 109⅞ | — | 2 | De14 Je14 | 5.6 | - |
| Treas 9¾pc 2002 | | 110⅞ | — | 6,527 | Fe27 Au27 | 18.2 | 1349 |
| Exch 9pc 2002 ⅌ | | 107⅞ | — | 83 | My19 Nv19 | 8.5 | - |
| Conv 9¾pc 2003 ⅌ | | 112⅛ | — | 11 | Nv7 My7 | 25.4 | - |
| Treas 8pc 2003‡‡ | | 104⅞ | — | 8,600 | Je10 De10 | 30.5 | 2010 |
| Treas 13¾pc 2000-3 ⅌ | | 117¼ | — | 53 | Ja25 Jy25 | 18.7 | - |
| Treas 10pc 2003 | | 113⅞ | — | 2,993 | Mr8 Se8 | 27.2 | 1281 |
| Treas 11½pc 2001-4 | | 113⅞ | — | 1,620 | Se19 Mr19 | 10.3 | 1290 |
| Treas 10pc 2004 ⅌ | | 115⅛ | — | 23 | Nv18 My18 | 8.5 | - |
| Funding 3½pc 1999-4 | | 88½ | -.1 | 543 | Ja14 Jy14 | 9.7 | 1274 |
| Conv 9½pc 2004 | | 113⅞ | -.2 | 3,412 | Ap25 Oc25 | 16.4 | 1246 |
| Treas 6¾pc 2004‡‡ | | 98⅝ | -.1 | 6,500 | My26 Nv26 | 15.5 | 3541 |
| Conv 9½pc 2005 | | 113⅞ | -.3 | 4,842 | Oc18 Ap18 | 9.4 | 1247 |
| Exch 10½pc 2005 ⅌ | | 120¼ | -.3 | 23 | Mr20 Se20 | 11.3 | - |
| Treas 12½pc 2003-5 | | 128½ | -.1 | 2,200 | My21 Nv21 | 12.5 | 1295 |
| Treas 8½pc 2005‡‡ | | 108⅞ | -.3 | 10,373 | Ja7 De7 | 28.5 | 4848 |
| Conv 9¾pc 2006 ⅌ | | 117⅜ | -.5 | 6 | My15 Nv15 | 8.5 | - |
| Treas 7½pc 2006‡‡ | | 102⅞ | -.4 | 11,700 | Ja7 De7 | 28.5 | 1148 |
| Treas 7¾pc 2006‡‡ | | 103⅞ | -.4 | 4,000 | Mr8 Se8 | 27.2 | 2300 |
| Treas 8pc 2002-6‡‡ | | 103¼ | — | 2,050 | Ap5 Oc5 | 25.3 | 1334 |
| Treas 11¾pc 2003-7 | | 120⅜ | — | 3,150 | Jy22 Ja22 | 11.7 | 1293 |
| Treas 8½pc 2007 ‡‡ | | 108⅞ | -.5 | 7,397 | Ja16 Jy16 | 7.7 | 1339 |
| Treas 7¼pc 2007‡‡ | | 101¼ | -.8 | 7,000 | Ja7 De7 | 28.5 | - |
| Treas 13½pc 2004-8 ⅌ | | 132⅞ | — | 85 | Se26 Mr26 | 17.3 | - |
| Treas 9pc 2008 ‡‡ | | 114⅜ | -.6 | 5,621 | Ap13 Oc13 | 3.4 | 1343 |
| Treas 8pc 2009 | | 107 | -.7 | 3,450 | Mr25 Se25 | 14.3 | 1338 |
| Treas 6¼pc 2010‡‡ | | 92¼ | -1.0 | 4,750 | Mr25 Nv25 | 15.5 | 4632 |
| Conv 9pc Ln 2011 ‡‡ | | 116⅛ | -1.0 | 5,273 | Jy12 Ja12 | 3.7 | 1245 |
| **Over Fifteen Years** | | | | | | | |
| Treas 8pc 2012‡‡ | | 116¼xd | -1.1 | 5,380 | Fe6 Au6 | 28.7 | 1701 |
| Treas 5½pc 2008-12‡‡ | | 87⅞ | -1.2 | 1,080 | Mr10 Se10 | 27.2 | 1330 |
| Treas 8pc 2013‡‡ | | 108⅝ | -1.2 | 8,100 | Mr27 Se27 | 18.3 | 2229 |
| Treas 7¾pc 2012-15‡‡ | | 105⅝ | -1.1 | 800 | Jy26 Ja26 | 17.7 | 1332 |
| Treas 8pc 2015‡‡ | | 109⅝ | -1.3 | 13,787 | Ja7 De7 | 28.5 | 4892 |
| Treas 8¾pc 2017‡‡ | | 117⅝ | -1.3 | 7,550 | Fe25 Au25 | 14.2 | 1982 |
| Exch 12pc 2013-17 ⅌ | | 140⅞ | -.8 | 57 | Ja12 De12 | 3.8 | - |
| Treas 8pc 2021‡‡ | | 110⅝ | -1.4 | 15,000 | Ja7 De7 | 28.5 | - |
| **Undated** | | | | | | | |
| Consols 4pc | | 54⅞ | -.2 | 359 | Au1 Fe1 | 23.7 | 1239 |
| War Loan 3½pc‡‡ | | 49⅜ | -1.7 | 1,909 | Ja1 De1 | 16.5 | 1362 |
| Conv 3½pc '61 Aft | | 65⅞ | -1.4 | 115 | Ap1 Oc1 | 10.3 | 1243 |
| Treas 3pc '66 Aft | | 39⅞ | -1.8 | 58 | Ap5 Oc5 | 25.3 | 1324 |
| Consols 2½pc | | 34⅜ | -2.1 | 276 | 5JaApJyOc | 26.6 | 1238 |
| Treas. 2½pc | | 34⅜ | -1.9 | 475 | Ap1 Oc1 | 10.3 | 1315 |
| **Index-Linked** | (b) | | | | | | |
| 4⅝pc '98‡‡ | (135.6) | 114⅞ | 0.1 | 800 | Ap27 Oc27 | 17.4 | 1753 |
| 2½pc '99 ⅌ | | 182⅞ | 0.1 | 2 | My22 Nv22 | 13.5 | - |
| 2½pc '01 | (78.3) | 187⅛ | 0.1 | 2,150 | Mr24 Se24 | 13.3 | 1316 |
| 2½pc '03 | (78.8) | 183⅛ | — | 2,300 | My20 Nv20 | 9.5 | 1317 |
| 4⅜pc '04‡‡ | (135.6) | 118⅛ | -.2 | 1,150 | Ap21 Oc21 | 10.4 | 1255 |
| 2pc '06 | (69.5) | 193⅞ | -.4 | 2,350 | Ja19 Jy19 | 10.7 | 1314 |
| 2½pc '09 | (78.8) | 174⅛ | -.5 | 2,525 | My20 Nv20 | 9.5 | 1318 |
| 2½pc '11 | (74.6) | 180⅞ | -.7 | 3,100 | Fe23 Au23 | 13.2 | 1319 |
| 2½pc '13 | (89.2) | 149¼xd | -.8 | 3,750 | Fe16 Au16 | 7.8 | 1320 |
| 2½pc '16 | (81.6) | 158⅞ | -.9 | 3,725 | Ja26 Jy26 | 17.7 | 1321 |
| 2½pc '20 | (83.0) | 153⅞ | -1.0 | 3,500 | Ap16 Oc16 | 7.4 | 1322 |
| 2½pc '24‡‡ | (97.7) | 127¼ | -1.2 | 3,550 | Ja17 Jy17 | 8.7 | 1323 |
| 4⅛pc '30‡‡ | (135.1) | 124⅞ | -1.2 | 1,300 | Ja16 Jy22 | 11.7 | 1134 |

(b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for November 1996: 153.9 and for June 1997: 157.5.

### Other Fixed Interest

| | Notes | Price £ | Wk % +/- | Amnt £m | Interest due | Last xd | City line |
|---|---|---|---|---|---|---|---|
| Asian Dev 10¼pc 2009 | | 121⅞ | -1.6 | 100 | Mr24 Se24 | 24.3 | - |
| B'ham 11½pc 2012 | | 134½ | 1.5 | 45 | My15 Nv15 | 15.4 | 1837 |
| Leeds 13½pc 2006 | | 138½ | — | 40 | Ap1 Oc1 | 10.3 | 3148 |
| Liverpool 3½pc Irred | | 46 | — | 5 | 1ApJyOcJa | 2.6 | - |
| LCC 3pc '20 Aft | | 39xd | — | 38 | 1MrJeSeDe | 1.8 | - |
| Manchester 11½pc 2007 | | 127½ | — | 6 | Ap25 Oc25 | 27.3 | 3275 |
| Met. Wtr. 3pc 'B' | | 83xd | — | 25 | Mr1 Se1 | 1.8 | 3361 |
| N'wide Anglia 3⅞pc 2021 | | 150⅛ | 1.9 | 80 | Ja30 Jy30 | 16.6 | 3465 |
| 4⅛pc IL 2024 | | 145½xd | 2.0 | 50 | Au23 Fe23 | 14.7 | - |

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Weekly percentage changes are calculated on a Friday to Friday basis. ⅌ Indicative price.

# LONDON SHARE SERVICE

## ALCOHOLIC BEVERAGES

| | Notes | Price | Wk% ch'nge | Div net | Div cov. | Dividends paid | Last xd | City line |
|---|---|---|---|---|---|---|---|---|
| Allied Domecq | ♣♠ | 454½ | 1.7 | Q27.13 | 1.4 | Feb Jul | 19.5 | 1558 |
| Bulmer (HP) | ♣ | 422½ | -1.7 | 14.62 | 2.5 | Feb Sep | 13.1 | 2805 |
| Burn St Dist | ♣ | 43½ | 4.8 | 3.4 | 1.2 | May Nov | 7.4 | 1518 |
| Glenmorangie A | | 982½ | 1.3 | 13.2 | 3.1 | Jan Jul | 23.6 | 3257 |
| B | | 1075 | — | 8.6 | 3.1 | Jan Jul | 23.6 | — |
| Grand Met | ♣♦†N | 585½xd | 0.6 | Q18.81 | 1.9 | Apr Oct | 21.7 | 2798 |
| Guinness | ♣♣♦ | 591 | 1.8 | 16.1 | 2.2 | May Nov | 1.4 | 2781 |
| Highland | ♣† | 318½ | -1.8 | 8.4 | 2.5 | Jun Jan | 6.5 | 2880 |
| 5¾pc Cnv Bds | | 88½ | -1.4 | Q5¾% | — | Jul Jan | 7.7 | — |
| Kirin Y | | 561 | 4.4 | Q30% | — | Sep Mar | 25.12 | 1119 |
| Matthew Clark | ♣♣ | 238xd | 2.8 | 24.0 | 1.3 | Apr Oct | 4.8 | 2153 |
| Merrydown | ♣ | 59½xd | -.8 | 3.1 | 1.3 | Jan Oct | 21.7 | 3362 |
| Seagram C$ | | 522⅜ | -.9 | Q66c | — | MrJnSeDe | 26.11 | — |

## BANKS, RETAIL

## BREWERIES, PUBS & REST

## BUILDING & CONSTRUCTION

## BUILDING MATS. & MERCHANTS

## CHEMICALS

## CHEMICALS - Cont.

## DISTRIBUTORS

## DIVERSIFIED INDUSTRIALS

## ELECTRICITY

## ELECTRONIC & ELECTRICAL EQPT

## ENGINEERING

## ENGINEERING - Cont.

## ENGINEERING, VEHICLES

## EXTRACTIVE INDUSTRIES

## EXTRACTIVE INDUSTRIES - Cont.

## FOOD PRODUCERS

## GAS DISTRIBUTION

## HEALTH CARE

## HEALTH CARE - Cont.

## HOUSEHOLD GOODS

## INSURANCE

## INSURANCE - Cont.

## INVESTMENT TRUSTS

## INVESTMENT TRUSTS - Cont.

## INV TRUSTS SPLIT CAPITAL

## LONDON SHARE SERVICE

### INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

### OTHER INVESTMENT TRUSTS

[illegible]

### INVESTMENT COMPANIES

[illegible]

### LEISURE & HOTELS

[illegible]

### LIFE ASSURANCE

[illegible]

### MEDIA

[illegible]

### MEDIA - Cont.

[illegible]

### OIL EXPLORATION & PRODUCTION

[illegible]

### OIL, INTEGRATED

[illegible]

### OTHER FINANCIAL

[illegible]

### PAPER, PACKAGING & PRINTING

[illegible]

### PHARMACEUTICALS

[illegible]

### PHARMACEUTICALS - Cont.

[illegible]

### PROPERTY

[illegible]

### PROPERTY - Cont.

[illegible]

### RETAILERS, FOOD

[illegible]

### RETAILERS, GENERAL

[illegible]

### RETAILERS, GENERAL - Cont.

[illegible]

### SUPPORT SERVICES

[illegible]

### SUPPORT SERVICES - Cont.

[illegible]

### TELECOMMUNICATIONS

[illegible]

### TEXTILES & APPAREL

[illegible]

### TEXTILES & APPAREL - Cont.

[illegible]

### TOBACCO

[illegible]

### TRANSPORT

[illegible]

### WATER

[illegible]

### AIM

[illegible]

### AIM - Cont.

[illegible]

### AMERICANS

[illegible]

### CANADIANS

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |
| Royal Bk Canada C$ | | 30 | 4.0 | $1.48 | FeMyAuNv | 24.1 | 1180 |
| Toronto-Dom C$ | | 18½ | 2.4 | 1.12c | JaApJyOc | 18.12 | 1207 |
| Trans Can Pipe C$ | ♥ | 12½ | 2.9 | $1.16 | JaApJyOc | 28.5 | - |
| Western Star Trucks C$ | | 18⅓ | -7 | - | - | - | - |



### SOUTH AFRICANS

| | Notes | Price | Wk% ch'nge | Div net | Div cov. | Dividends paid | Last xd | City line |
|---|---|---|---|---|---|---|---|---|
| Anglo Am Ind R | | £27½ | --- | 0555c | ф | May Oct | 2.9 | - |
| Barlow | ♣† | 682 | 4.5 | 0108c | 3.3 | Jan Jul | 9.12 | - |
| Gold Flds Prop R | † | 198½ | 6.6 | 065c | 1.5 | Feb Sep | 2.95 | - |
| SA Brews | | £19⅞ | 2.5 | 0287c | ф | Jul Feb | 2.6 | 4113 |
| Standard Bank | | £29½ | 2.4 | 0407c | ф | Sep Mar | 3.3 | - |
| Tiger Oats | † | 1657 | 1.4 | 0139c | 2.8 | Jan Jul | 8.6 | - |
| Tongaat-Hulett | | 780 | 3.7 | 0142c | ф | Jan Jul | 17.8 | - |

## GUIDE TO LONDON SHARE SERVICE

*Prices for the London Share Service are delivered by Extel, part of Financial Times Information.*

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- †‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1997. K Dividend based on prospectus or other official estimates for 1998. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). O Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xt ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion.

## FT Share Service

The following changes have been made to the FT Share Information Service: **Additions: Close Bros VCT C** (InCo), **Hitachi Credit (UK)** (OtFn). **Deletions: Circle Comms** (AIM), **Brascan** (Can), **Amstrad, Arcolectric A** (E&EE), **Fleming Euro Wrts** (InvT), **Appleby Westward** (ReFd).

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The share prices printed on these pages are also available on the internet at http://www.FT.com.

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## OFFSHORE AND OVERSEAS

## BERMUDA (SIB RECOGNISED)

| | Init Notes Chrge | Selling Price | Buying Price | Yield Gr's | City-Line |
|---|---|---|---|---|---|
| **Fidelity Currency Funds Ltd** | | | | | |
| Pembroke Hall, Pembroke, Bermuda | | | | | |
| UK Prof Advisers 0800 414181 Jersey: 01534 71696 | | | | | |
| Private Clients 0800 414161 00 352 25040430 | | | | | |
| From O'seas (44) 1732 777377 Hong Kong (852) 848 1000 | | | | | |
| A$ Accum | | A$19.875 | | 4.00 | 40907 |
| C$ Accum | | C$19.009 | | 2.90 | 40941 |
| DM Accum | | DM38.914 | | 1.90 | 41228 |
| DFl Accum | | Dfl32.115 | | 2.00 | 40958 |
| ECU Accum | | Ecu13.610 | | 3.00 | 41238 |
| FFr Accum | | FFr98.178 | | 2.10 | 41282 |
| HK$ Accum | | HK$125.54 | | 5.30 | 41318 |
| Lire Accum | | L24783 | | 5.90 | 41386 |
| NZ$ Accum | | NZ$42.014 | | 6.60 | 41544 |
| £ Accum | | £11.588 | | 5.70 | 41548 |
| SFr Accum | | SFr28.487 | | 0.20 | 41650 |
| US$ Accum | | $24.351 | | 4.60 | 41575 |
| Yen Accum | | Y2892.5 | | 0.10 | 41582 |
| Prices for dealing August 8 | | | | | |
| **Jupiter Asset Management (Bermuda) Ltd** | | | | | |
| PO Box HM1258, Hamilton, Bermuda 001 809 292 2790 | | | | | |
| Jupiter Tyndall World Umbrella Fund Ltd | | | | | |
| Eurobond | | $16.22 | 17.04 | 4.04 | 45873 |
| Money | | $14.48 | 15.21 | 3.07 | 45872 |
| Mortgage | | C$24.88 | 26.14 | 7.08 | 45875 |
| North American | | $17.38 | 18.24 | 0.00 | 45871 |
| Overseas | | $17.08 | 17.95 | 0.00 | 45876 |
| Tiger | | $17.58 | 18.48 | 0.00 | 45877 |
| UK Small Cos | | £1.40 | 1.49 | 0.00 | 59188 |
| **Newport Investment Management** | | | | | |
| 20 Reid St, PO Box HM 3390 Hamilton Bermuda | | | | | |
| UK: 0171 338 6086 Dealing: 01481 707000 | | | | | |
| Int. Pacific | 5 | $4.8720 | | - | 46557 |
| Int Pacific | | £3.0914 | | - | 44855 |
| Newport Tiger Fd | | $7.5733 | | - | 51287 |
| Newport Tiger Fd | | £4.8054 | | - | 50126 |

[illegible]

## BERMUDA (REGULATED)(**)

[illegible]

## GUERNSEY (SIB RECOGNISED)

[illegible]

## GUERNSEY (REGULATED)(**)

[illegible]

## IRELAND (SIB RECOGNISED)

[illegible]

## IRELAND (REGULATED)(**)

[illegible]

## ISLE OF MAN (SIB RECOGNISED)

[illegible]

## ISLE OF MAN (REGULATED)(**)

[illegible]

## JERSEY (SIB RECOGNISED)

[illegible]

## JERSEY (REGULATED)(**)

[illegible]

## LUXEMBOURG (SIB RECOGNISED)

[illegible]

هكذا من الأصل



Offshore Funds and Insurances

# FT MANAGED FUNDS SERVICE

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American Phoenix Investment Portfolios (u)

[illegible]

Foreign & Colonial Portfolios Fd Sicav(u)

[illegible]

GT Global

[illegible]

Morgan Stanley Sicav - Contd.

[illegible]

ACM Offshore Funds - Contd.

[illegible]

Credis Investment Funds - Contd.

[illegible]

Merrill Lynch Asset Management - Contd.

[illegible]

TCW Luxembourg Funds

[illegible]

Target International Ltd

[illegible]

Templeton Emerging Asia

[illegible]

Finexco International Ltd

[illegible]

## OFFSHORE INSURANCES

[illegible]

## LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

[illegible]

# FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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| | Selling Price | Buying Price | Yield Gross | City-Line |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## OTHER OFFSHORE FUNDS

| | Selling Price | Buying Price | Yield Gross | City-Line |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Highs & Lows shown on a 52 week basis

# WORLD STOCK MARKETS

## EUROPE

AUSTRIA (Aug 8 / Sch)

BELGIUM/LUXEMBOURG (Aug 8 / Frs.)

CZECH REP (Aug 8 / Koruna)

DENMARK (Aug 8 / Kr)

FINLAND (Aug 8 / Mka)

FRANCE (Aug 8 / Frs.)

GERMANY (Aug 8 / Dm)

GREECE (Aug 8 / Drachma)

ITALY (Aug 8 / Lire)

NETHERLANDS (Aug 8 / Fls.)

NORWAY (Aug 8 / Kroner)

POLAND (Aug 8 / Zloty)

PORTUGAL (Aug 8 / Escudo)

SPAIN (Aug 8 / Pts.)

SWEDEN (Aug 8 / Kronor)

SWITZERLAND (Aug 8 / Frs.)

TURKEY (Aug 8 / Th. Lira)



## PACIFIC

JAPAN (Aug 8 / Yen)

AUSTRALIA (Aug 8 / Aus$)

HONG KONG (Aug 8 / H.K.$)

INDONESIA (Aug 8 / Rupiah)

MALAYSIA (Aug 8 / MYR)

NEW ZEALAND (Aug 8 / NZ $)

SINGAPORE (Aug 8 / S$)

SOUTH KOREA (Aug 8 / Won)

TAIWAN (Aug 8 / TW $)

THAILAND (Aug 8 / Baht)

## AFRICA

SOUTH AFRICA (Aug 8 / Rand)

## NORTH AMERICA

CANADA

MONTREAL (Aug 8 / Can $)

4 pm close

TORONTO (Aug 8 / Can $)

4 pm close

## INDICES

## INDEX FUTURES

## US INDICES

| Dow Jones | Aug 8 | Aug 7 | Aug 6 | 1997 High | 1997 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 8031.22 | 8188.0 | 8259.31 | 8259.31 (6/8) | 6391.69 (11/4) | 8259.31 (6/8/97) | 41.22 (8/7/32) |
| Home Bonds | 104.23 | 104.33 | 104.49 | 104.70 (31/7) | 101.09 (14/4) | 104.70 (31/7/97) | 54.99 (1/10/81) |
| Transport | 2937.02 | 2993.95 | 3009.25 | 3009.25 (6/8) | 2222.07 (2/1) | 3009.25 (6/8/97) | 13.23 (8/7/32) |
| Utilities | 229.82 | 232.89 | 234.04 | 240.85 (22/1) | 209.47 (25/4) | 258.46 (31/8/93) | 16.53 (8/7/32) |

DJ Ind. Day's high 8170.56 (8340.14) Low 7961.07 (8158.73) (Theoretical). Day's high 8184.05 (8299.49) Low 7976.40 (8181.03) (Actual)

| Standard and Poors | Aug 8 | Aug 7 | Aug 6 | 1997 High | 1997 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite‡ | 933.54 | 951.19 | 960.32 | 960.32 (6/8) | 737.01 (2/1) | 960.32 (6/8/97) | 4.40 (1/6/32) |
| Industrials | 1103.01 | 1121.93 | 1130.76 | 1130.78 (6/8) | 865.42 (11/4) | 1130.78 (6/8/97) | 3.52 (30/6/32) |
| Financial | 105.33 | 108.36† | 110.46 | 111.88 (31/7) | 80.75 (2/1) | 111.88 (31/7/97) | 7.13 (4/9/74) |
| NYSE Comp. | 483.79 | 492.62 | 497.00 | 497.00 (6/8) | 389.47 (11/4) | 497.00 (6/8/97) | 4.64 (25/4/42) |
| Amex Comp. | 646.15 | 652.07 | 654.06 | 654.06 (6/8) | 541.20 (28/4) | 654.06 (6/8/97) | 524.20 (16/7/96) |
| NASDAQ Cmp | 1598.52 | 1624.18 | 1630.44 | 1630.44 (6/8) | 1201.00 (2/4) | 1630.44 (6/8/97) | 54.87 (3/10/74) |

## ■ RATIOS

| | Aug 1 | Jul 25 | Jul 18 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 1.58 | 1.60 | 1.64 | 2.20 |
| | Aug 6 | Jul 30 | Jul 23 | Year ago |
| S & P Ind. Div. yield | 1.47 | 1.48 | 1.50 | 2.03 |
| S & P Ind. P/E ratio | 26.35 | 26.05 | 25.77 | 21.16 |

## ■ NEW YORK ACTIVE STOCKS

| Friday | Stocks traded | Close price | Change on day |
|---|---|---|---|
| Elec. Data | 14,083,700 | 36⅞ | -6⅛ |
| AT&T | 9,653,100 | 40¾ | +½ |
| Coca Cola | 9,403,000 | 62¼ | -3¼ |
| Compaq | 9,080,700 | 60⅜ | -7⅛ |
| Philip Morris | 6,460,500 | 44⅝ | -¼ |
| Micron | 5,888,100 | 56⅞ | -1⅞ |
| Gen Elec | 5,748,900 | 67½ | -1¼ |
| Pfizer | 5,647,500 | 55⅛ | -2 |
| Columbia HCA | 4,466,900 | 33⅝ | .. |
| Utd Hlth | 4,325,000 | 51⅞ | +⅞ |

## ■ TRADING ACTIVITY

● Volume (million)

| | Aug 8 | Aug 7 | Aug 6 |
|---|---|---|---|
| New York SE | 561.302 | 576.032 | 565.170 |
| Amex | 27.121 | 25.268 | 24.079 |
| NASDAQ | (u) | 758.318 | 791.775 |
| NYSE | | | |
| Issues Traded | 3,379 | 3,359 | 3,404 |
| Rises | 525 | 1,221 | 1,847 |
| Falls | 2,472 | 1,561 | 979 |
| Unchanged | 383 | 577 | 578 |
| New Highs | 64 | 332 | 397 |
| New Lows | 17 | 10 | 11 |

## ■ TOKYO - MOST ACTIVE STOCKS: Friday, August 8, 1997

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Nippon Steel Cp | 12.4m | 300 | -11 |
| Mitsui Co | 10.5m | 1100 | -10 |
| Nomura Secs | 7.3m | 1730 | +30 |
| Yamaichi Secs | 7.1m | 229 | -9 |
| NKK Corp | 6.4m | 193 | -4 |
| NEC Corp | 6.0m | 1580 | -50 |
| LTCB | 5.4m | 577 | +7 |
| Fujitsu | 5.4m | 1650 | -20 |
| Daiwa Bank | 5.1m | 594 | +14 |
| Sakura Bank | 5.1m | 730 | -5 |

Prices supplied by Extel, part of FT Information

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $

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# NEW YORK STOCK EXCHANGE PRICES

*4 pm close August 8*

| 1997 High | Low | Stock | Div | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Chng Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **- A -** | | | | | | | | |
| 38 7/16 | 24 1/4 | AAR x | 0.48 | 1.4 | 26 | 858 | 34 5/8 | 33 3/4 | 34 1/8 | -13/16 |
| 53 3/4 | 33 7/8 | AMP x | 1.04 | 2.0 | 42 | 4467 | 51 15/16 | 50 7/8 | 51 3/16 | -1 |
| 110 1/16 | 78 1/4 | AMR | | | 8 | 5547 | 108 1/2 | 106 | 106 7/16 | -3 3/16 |
| 37 5/8 | 29 1/2 | ASA | 1.20 | 3.8 | 20 | 1030 | 31 5/8 | 31 | 31 5/8 | +17/16 |
| 68 13/16 | 49 3/4 | AbbtL x | 1.08 | 1.7 | 25 | 17130 | 64 1/4 | 63 5/16 | 63 13/16 | -1/16 |
| 20 1/2 | 14 1/8 | AbtGbl | 0.40 | 2.1 | 9 | 437 | 19 1/16 | 19 | 19 | -3/8 |
| 25 | 17 3/8 | ABM Ind | 0.40 | 1.7 | 21 | 333 | 24 13/16 | 23 13/16 | 23 7/8 | -1 1/8 |
| 24 1/8 | 17 3/4 | Acptncdn | | | 11 | 426 | 23 | 21 15/16 | 21 15/16 | -1 1/16 |
| 87 1/4 | 56 1/8 | ACE Ltd | 0.88 | 1.0 | 11 | 903 | 85 1/8 | 84 7/16 | 84 3/4 | -3/4 |
| 10 3/4 | 10 | ACM Gvt In x | 0.90 | 8.7 | 11 | 648 | 10 7/16 | 10 3/16 | 10 3/16 | -1/8 |
| 8 | 7 | ACM GvOpp x | 0.63 | 8.2 | | 147 | 7 3/4 | 7 11/16 | 7 11/16 | -1/8 |
| 10 3/16 | 9 1/4 | ACM Man x | 0.90 | 9.1 | | 413 | 9 7/8 | 9 3/4 | 9 7/8 | -1/16 |
| 10 3/8 | 6 1/8 | Acme Elect | | | | 97 | 6 3/8 | 6 1/4 | 6 1/4 | -1/8 |
| 20 | 13 | Acme Mtlc | | | | 170 | 15 1/8 | 15 | 15 | -1/8 |
| 22 11/16 | 14 | ACNielsen | | | 39 | 953 | 22 3/16 | 21 5/8 | 21 11/16 | -1/2 |
| 29 3/4 | 19 1/8 | Acuson | | | | 1622 | 25 13/16 | 25 3/8 | 25 13/16 | -1/16 |
| 24 1/2 | 19 3/8 | Adams Expr | 0.55 | 2.3 | 1 | 263 | 24 1/4 | 24 1/16 | 24 1/16 | -1/4 |
| 40 1/2 | 24 7/8 | AdvMic | | | | 11292 | 36 7/8 | 35 11/16 | 36 1/16 | -7/8 |
| 27 1/2 | 10 3/8 | Advest Grp | 0.12 | 0.6 | 15 | 358 | 21 7/8 | 21 1/16 | 21 11/16 | -1/16 |
| 18 13/16 | 11 3/8 | Advo Inc | | | 17 | 56 | 18 1/16 | 18 3/16 | 18 1/16 | -1/8 |

[illegible]

## NYSE PRICES

4 pm close August 8

Continued from previous page

- V -

- W -

- X - Y - Z -

| 1997 High | Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|---|---|---|
| 55 | $37\frac{7}{8}$ | York Int | 0.48 | 1.0 | 15 | 867 | $47\frac{7}{8}$ | 47 | $47\frac{1}{8}$ | $-\frac{1}{4}$ |
| $6\frac{3}{16}$ | 4 | Zapata | 0.28 | 4.7 | 50 | 255 | $6\frac{1}{4}$ | $5\frac{15}{16}$ | 6 | |
| $13\frac{1}{8}$ | $9\frac{1}{8}$ | ZenithEl | | | | 2628 | $11\frac{1}{2}$ | $11\frac{1}{16}$ | $11\frac{3}{16}$ | $-\frac{7}{16}$ |
| $28\frac{3}{8}$ | $24\frac{5}{8}$ | Zenith Nat x | 1.00 | 3.8 | 16 | 72 | $27\frac{1}{4}$ | $26\frac{9}{16}$ | $26\frac{7}{16}$ | $-\frac{7}{8}$ |
| 8 | $7\frac{1}{8}$ | Zenix Inc | 0.73 | 9.3 | | 108 | $7\frac{7}{8}$ | $7\frac{13}{16}$ | $7\frac{7}{8}$ | |
| $28\frac{3}{4}$ | $17\frac{3}{4}$ | Zero x | 0.12 | 0.4 | 20 | 134 | $27\frac{1}{4}$ | 27 | $27\frac{1}{4}$ | $-\frac{1}{8}$ |
| $12\frac{7}{16}$ | $10\frac{1}{4}$ | ZweigFd♣ | 1.20 | 9.6 | | 316 | $12\frac{9}{16}$ | $12\frac{3}{16}$ | $12\frac{1}{4}$ | $-\frac{1}{8}$ |
| $9\frac{1}{16}$ | 8 | Zweig Tot x | 0.84 | 9.4 | | 1035 | 9 | $8\frac{7}{8}$ | $8\frac{15}{16}$ | |

*Price data supplied by Extel, part of FT Information.*

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. ss-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
‡ Dealings suspended.

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## AMEX PRICES

4 pm close August 8

| Stock | Div. | P/E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| NY TimA | 0.64 | 20 | 3073 | $48\frac{1}{2}$ | $47\frac{1}{4}$ | $47\frac{9}{16}$ | $-1\frac{3}{16}$ |
| NVR | | 9 | 118 | $19\frac{7}{8}$ | $19\frac{1}{4}$ | $19\frac{7}{8}$ | $+\frac{1}{8}$ |
| Pegasus G | | 50 | 6409 | $5\frac{1}{16}$ | $4\frac{15}{16}$ | 5 | $+\frac{1}{16}$ |
| Peral | | 4 | 53 | $8\frac{3}{16}$ | 8 | $8\frac{1}{16}$ | $-\frac{1}{16}$ |

## NASDAQ NATIONAL MARKET

4 pm close August 8

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W -

- K -

| Stock | Div. | P/E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| K Swiss | 0.08 | 165 | 494 | $15\frac{1}{2}$ | $14\frac{7}{8}$ | $14\frac{7}{8}$ | $-\frac{7}{8}$ |
| Kaman Cp | 0.44 | 28 | 1157 | $16\frac{1}{2}$ | $16\frac{1}{4}$ | $16\frac{7}{16}$ | $-\frac{1}{16}$ |
| Kelly Sr | 0.88 | 15 | 273 | 32 | $31\frac{5}{8}$ | $31\frac{5}{8}$ | $-\frac{3}{8}$ |
| Kimball | 1.16 | 15 | 678 | $43\frac{1}{8}$ | $41\frac{3}{4}$ | $42\frac{3}{4}$ | $-\frac{1}{8}$ |
| KLA-Tn | | 50 | 14833 | 65 | $61\frac{7}{8}$ | $62\frac{1}{4}$ | $-2\frac{15}{16}$ |
| Koll A | | | z0 | $\frac{1}{8}$ | $\frac{1}{8}$ | $\frac{1}{8}$ | |
| Komag♣ | | 18 | 7230 | $19\frac{5}{8}$ | $18\frac{7}{8}$ | 19 | $-\frac{3}{4}$ |
| Kulicke S | | | 7230 | $43\frac{3}{8}$ | 41 | 43 | $-\frac{1}{4}$ |

| Stock | Div. | P/E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| PLDTel | | 8 | z0 | $6\frac{7}{8}$ | $6\frac{7}{8}$ | $6\frac{7}{8}$ | $+\frac{1}{4}$ |
| Pacebk x | 0.68 | 9 | 191 | $21\frac{3}{4}$ | $21\frac{1}{8}$ | $21\frac{1}{8}$ | $-\frac{1}{8}$ |
| Powell | | 16 | 54 | $17\frac{1}{4}$ | $16\frac{1}{8}$ | $17\frac{1}{4}$ | |
| Pres Life | 0.20 | 15 | 452 | $19\frac{1}{2}$ | $18\frac{3}{4}$ | $18\frac{7}{8}$ | $-\frac{7}{16}$ |
| Presstek | | 128 | 3003 | $42\frac{1}{4}$ | $39\frac{3}{4}$ | $41\frac{1}{4}$ | $-1\frac{7}{16}$ |
| PridePt♣ | | 12 | 6487 | 27 | $25\frac{5}{8}$ | $26\frac{1}{16}$ | $-1\frac{1}{16}$ |
| Printrnol | | 17 | 681 | $15\frac{5}{8}$ | $14\frac{7}{8}$ | $14\frac{7}{8}$ | $-\frac{5}{8}$ |
| Qualcomm | | 47 | 9559 | $47\frac{1}{8}$ | 46 | $46\frac{1}{8}$ | $-\frac{5}{8}$ |
| Qual Food | | 23 | z0 | $41\frac{7}{16}$ | $41\frac{7}{16}$ | $41\frac{7}{16}$ | |
| Quantum | | 18 | 69896 | $35\frac{3}{4}$ | $33\frac{1}{4}$ | $34\frac{7}{8}$ | $-\frac{13}{16}$ |
| Quicksilv | | 20 | 856 | $35\frac{1}{2}$ | $31\frac{15}{16}$ | $33\frac{1}{2}$ | $-2\frac{1}{8}$ |
| Quintiles | | 177 | 3195 | $78\frac{1}{8}$ | $73\frac{3}{4}$ | 78 | $+2\frac{1}{4}$ |

| Stock | Div. | P/E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| WPP ADR | 0.29 | 20 | 358 | $43\frac{1}{4}$ | 43 | 43 | $-\frac{1}{8}$ |
| Wyman-Gon | 0.40 | 34 | 1544 | $27\frac{1}{4}$ | $26\frac{1}{2}$ | $26\frac{3}{4}$ | $-\frac{3}{8}$ |

- X - Y - Z -

| Stock | Div. | P/E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| Xilinx♣ | | 38 | 36335 | $56\frac{7}{16}$ | $53\frac{7}{8}$ | $54\frac{11}{16}$ | $-1\frac{3}{8}$ |
| Xircom | | 23 | 6827 | $14\frac{1}{8}$ | $13\frac{1}{2}$ | $14\frac{1}{16}$ | $-\frac{5}{16}$ |
| Xoma Corp | | | 7302 | $6\frac{7}{8}$ | $6\frac{1}{8}$ | $6\frac{5}{16}$ | $-\frac{1}{8}$ |
| Yahoo | | | 5430 | $54\frac{5}{8}$ | $51\frac{1}{4}$ | 54 | $+\frac{3}{16}$ |
| Yellow | | | 3061 | $27\frac{3}{4}$ | $27\frac{1}{8}$ | $27\frac{7}{8}$ | $-\frac{1}{4}$ |
| York Rsch | | 19 | 339 | $6\frac{3}{8}$ | $6\frac{1}{8}$ | $6\frac{3}{8}$ | |
| ZionsUtah | 0.48 | 19 | 2442 | $36\frac{3}{8}$ | $35\frac{1}{8}$ | $35\frac{3}{4}$ | $-\frac{5}{8}$ |

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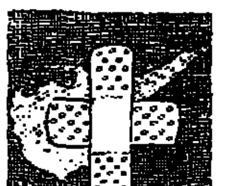
| Company | Mid price | Change on day | Volume | High | Low | Company | Mid price | Change on day | Volume | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ActivCard | US$3 | -0.25 | 1000 | 8.25 | 3 | Lernout & Hauspie | US$29.125 | -0.75 | 10600 | 34 | 25 |
| Artwork Systems | US$9.125 | -0.25 | 25242 | 11.125 | 9.125 | Mercer Int'l | US$10 | +0.125 | 0 | 11.75 | 8.125 |
| Chemunex | FFr11.5 | | 0 | 18 | 11.5 | NTL | US$22.75 | | 0 | 25.125 | 21.625 |
| Debonair Holdings | £6.9 | +0.45 | 205050 | 6.95 | 4.5 | PixTech | US$3.625 | -0.125 | 0 | 6.125 | 3.625 |
| Dr Solomon's ADS | US$28.375 | +0.375 | 3100 | 28.375 | 16.875 | Schoeller-Bleckmann | Sch1290 | -45 | 10620 | 1303 | 900 |
| EDAP TMS | US$8.5 | | 0 | 9.125 | 8.375 | Topcall Int'l | Sch3348 | +25 | 340 | 3363 | 3065 |
| Esprit Telecom ADS | US$6.625 | +0.625 | 50 | 12.25 | 5.375 | Turbodyne Technol | US$3.85 | -0.03 | 80000 | 3.98 | 3.85 |
| Innogenetics | US$10.5 | -0.125 | 38600 | 12.75 | 10.125 | | | | | | |

Prices for 8/8/97. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel 32-2 / 227 65 20) and in London (Tel 44-171 / 489 9990)

# FT GUIDE TO THE WEEK

## MONDAY 11

### Cyprus meeting



Leaders of the Greek and Turkish communities of Cyprus meet for more talks today in Montreux, Switzerland. Mr Glafcos Clerides, president of the internationally recognised Greek Cypriot government and his Turkish Cypriot adversary, Mr Rauf Denktash, are to continue negotiations this week in search of a settlement to end the island's 23-year partition. The encounter, organised by the United Nations, follows a previous round of positive talks in New York state in July. The two men met twice in the divided capital Nicosia, where they promised to open unmarked graves of people killed during communal clashes in the 1960s and 1970s. However, confirmation that the European Union will hold membership talks with the Greek Cypriots has angered Mr Denktash who last week signed an integration agreement with Turkey.

### Cambodian talks

South-east Asia's top diplomatic club will meet today in Singapore to discuss the situation in Cambodia. The meeting of the foreign ministers of the nine member-nations of the Association of South East Asian Nations is set to discuss the outcome of its mission which met Cambodia's second prime minister, Mr Hun Sen, last week. The main point will be Asean's stance on the election by Cambodia's National Assembly of Mr Ung Huot, the foreign minister, to replace deposed Prince Norodom Ranariddh as first prime minister. Asean officials said the question of when to admit Cambodia into the group was not on the agenda for the Singapore meeting. Cambodia was due to join Asean in July but its admission was postponed.

### IMF in Thai discussions

The International Monetary Fund holds a conference in Tokyo to discuss the Thai financial crisis and finalise details of an emergency credit line of up to $15bn, ahead of an IMF board meeting in Washington on August 21. The Export-Import Bank of Japan and several Japanese commercial banks are expected to play a key role in the bail-out package. The Japanese government is hoping to use the occasion to demonstrate its potential as a regional leader.

### Lottery case

A court case involving Camelot, the UK's National Lottery operator, is due to be heard today. Camelot has brought a private prosecution against three bookmakers – Ladbrokes, William Hill and Coral – over the 49's numbers game launched last December to counter falling revenue. The action follows the failure of Camelot's attempts to have the game declared an illegal lottery. It argues that it may not be able to deliver its forecast £9bn for good causes over its seven-year contract because of increasing competition from bookmakers and others. However, the bookmakers say they are losing money because of competition from the lottery.

Cast a giant shadow. This week Elvis Presley fans around the world will mark the 20th anniversary of the pop singer's death

### Edinburgh Festival

The festival maintains its tempo with an array of events including Bach organ works, dance, opera (Verdi's Macbeth), a performance of Shakespeare's *Measure for Measure*, art exhibitions, jazz and a film festival.

## TUESDAY 12

### Shooting party

Grouse become fair game today in the UK as shooting parties take to the moorland on the Glorious Twelfth. Last year some shoots were disrupted by demonstrators and even the Savoy Hotel in London, where grouse was on the menu, was the object of a protest by hunt saboteurs and animal action group members.

### Sinn Féin TV debate

Northern Ireland's Ulster Unionist party will face Sinn Féin, the IRA's political wing, in their first face-to-face television debate in the UK. Mr Ken Maginnis, the UUP security spokesman, and Mr Martin McGuinness, Sinn Féin's chief negotiator, are due to appear on BBC's *Newsnight* programme. The UUP has hitherto refused to be in the same studio as Sinn Féin, although Mr Maginnis did appear with Mr Gerry Adams, the Sinn Féin president, on US television on the *Larry King Live* show on CNN during the last IRA ceasefire.

### Korean steel auction

Creditor banks for Hanbo Steel are due to try to auction the Korean company's bankrupt steelworks after rejecting a Won2,000bn joint offer by Pohang Iron Steel and Dongkuk Steel as too low. The creditors, led by Korea First Bank, said the joint bid fell well short of the steelworks' valuation of Won4,900bn. There was also concern that Posco and Dongkuk were not prepared to take on Hanbo Steel's debts, totalling Won6,000bn. Two previous attempts last month to sell the plant proved to be unsuccessful when no bids were offered.

## WEDNESDAY 13

### Japan's Olympic decision

Japan's Olympic Committee will decide whether to nominate Osaka or Yokohama as the Japanese candidate for the 2008 Olympic games. Osaka, Japan's second city, is thought to be the favourite: it has good transport links, including the recently opened Kansai International Airport, and plans to hold all the events within the city limits. Yokohama's last-minute bid is hampered by local opposition, although some in Osaka also have mixed feelings about the wisdom of spending large amounts of money on constructing new facilities. Japan last hosted the summer Olympics in Tokyo in 1964. The winter Olympics will be held next year in Nagano, a mountainous, hot spring area of central Japan.

### Swimming

European swimming championships in Seville, Spain (to August 24).

## THURSDAY 14

### Argentine strike call

Argentina's opposition trade unions have called a general strike today in protest at high unemployment and the government's free-market economic policies. The organisers are planning a rally in Buenos Aires, along with nationwide protests. However, the country's main union umbrella group, the CGT, retains strong links with the ruling Peronist party and has rejected the strike call. Strong economic growth has, as yet, made little impact on the unemployment rate, hampering the government's efforts to create a "feel-good factor" ahead of October's mid-term elections. The stoppage was originally called for August 8.

### Mir departure

The two Russian cosmonauts on board the troubled Mir space station, Vasily Tsibliyev and Alexander Lazutkin, are due to return to Earth today after six months in orbit. Cosmonauts Anatoly Solovyov and Pavel Vinogradov docked with Mir last week to join the craft's three-man crew, which includes Nasa astronaut Michael Foal. They will have to set about the daunting and lengthy task of checking the craft to ascertain whether it can be salvaged.

### Golf

The US PGA Championship tees off at Winged Foot, New York (to August 17). The event is the last of the four big golf championships. The previous three, the Masters, the Open and the US Open, have all, for the first time, been won by players aged under 30.

## FRIDAY 15

### Independence Day

India and Pakistan celebrate the 50th anniversary of their independence from Britain. State ceremonies will be held in the capitals and a number of cities in both countries, although the event has garnered more enthusiasm abroad than among Indians and Pakistanis. Mr IK Gujral, India's 74-year-old prime minister and a "freedom fighter" who joined the "Quit India" movement in 1947, will hoist a flag over Delhi's Red Fort – one of a series of set piece events. These will include a special midnight session of India's parliament where a recording will be replayed of Jawarhalal Nehru's independence speech.

### World war anniversary

On the 52nd anniversary of the end of the second world war the Japanese will be paying close attention to which politicians follow the tradition of visiting the Yasukuni Shrine. The shrine is dedicated to the spirits of Japan's war dead of the last 134 years, including a number of convicted war criminals from the second world war. It is also a focus for ultra right-wing political activity. Cabinet ministers' visits to the shrine always draw protests from Japan's Asian neighbours, but seven ministers have already said they will pay their respects at the shrine today. Mr Ryutaro Hashimoto, the prime minister, visited the shrine in July last year, but will stay away this year, probably to avoid antagonising China ahead of his trip there next month.

### Greek pilgrimage

Tens of thousands of Greeks make an Assumption Day pilgrimage by ship to Tinos, the Aegean island that is home to a Byzantine icon with a reputation for performing miracles. The *Panayia tis Tinou* portrait of the Virgin Mary is kept in the dazzling white marble cathedral overlooking the waterfront. The Greek Orthodox priests who officiate at the festival lay in huge stocks of beeswax candles to be lighted by supplicants – many of who keep an overnight vigil on the ramps and staircases leading from the harbour to the cathedral.

### Global journey

Jennifer Murray, a 57-year-old grandmother, is due to return to the UK as the first woman to have piloted a helicopter around the world. She and her co-pilot Quentin Smith, the reigning world helicopter free-style champion, will become the first British team to achieve the feat and the first to do so in a piston-engined helicopter. Their journey took them to 26 countries with 80 refuelling stops. They will land at Denham, Middlesex.

### Angola deadline

Mr Kofi Annan, the UN Secretary-General, is due to report again on the situation in Angola. The former rebels from the National Union for the Total Independence of Angola are under threat by the United Nations Security Council to reply to a series of demands by today or face stiff new sanctions.

### Public holiday

Today is a holiday in many countries including Austria, Belgium, France, Greece, India, Italy, Luxembourg, Poland, Portugal and Spain.

## SATURDAY 16

### Money honey

Elvis "The King" Presley died 20 years ago today, aged 42, in Memphis, Tennessee, since when he has taken on an almost mystical status among some of his followers. Memphis has been in the throes of an Elvis Week to attract thousands of his fans. Graceland, the mansion where he lived for much of his life, has been allowing an expected 50,000 visitors to tread for the first time into Elvis's parents' bedroom. Today Elvis will be in concert – thanks to an image of him projected on to the stage and a sound tape. The concert will be followed by a midnight vigil.

## SUNDAY 17

### Backing a hump

Berlin is due to stage Europe's first camel races today at the city's Hoppegarten hippodrome. Up to 40,000 spectators are expected for the five races sponsored by the United Arab Emirates, which is providing 20 camels. Unlike in the Gulf, the camels will be racing on grass, not sand.

### Cycle champions

More than 100 of the world's top cyclists are due to take part in the Rochester International Classic race, Kent, England. The 148-mile race is the British leg of this year's UCI World Cup and the seventh round in the 10-race championship.

*Compiled by Bob Vincent.*
*Fax: (+44) (0)171 873 3194.*

## ECONOMIC DIARY

### Other economic news

**Monday:** With UK producer prices and output prices published today, the retail price index tomorrow and unemployment data for July out on Wednesday, the first half of the week is a busy one for London.

**Tuesday:** Market fears over the possibility of a switch to variable rate repos by the Bundesbank will be the focus of market attention. Most analysts, however, expect the bank to extend its fixed rate repos.

**Wednesday:** Wednesday's quarterly inflation report from the Bank of England will be scrutinised for further evidence of the Bank's views on interest rates, especially on domestic demand. Retail sales for July out in the US, and expected to register solid gains across the board.

**Thursday:** The US initial jobless claims are expected to remain around the 300,000 figure, as evidence that the labour market in the US remains tight.

**Friday:** Finland's consumer price index may continue to show an increase, in spite of summer sales, but should be around an annual 1.3 per cent rise.

### Statistics to be released this week

| Day Released | Country | Economic Statistic | Median Forecast | Previous Actual |
|---|---|---|---|---|
| Mon | UK | July producer price index input* | -0.2% | -0.8% |
| Aug 11 | UK | July producer price index input** | -8.6% | -8.4% |
| | UK | July producer price index output* | 0.1% | -0.2% |
| | UK | July producer price index output** | 1.2% | 1.1% |
| | UK | British Retail Consortium survey | | 4.5% |
| Tues | France | July consumer price prelim index* | -0.1% | 0.0% |
| Aug 12 | France | July consumer price prelim index** | 1.1% | 1.0% |
| | UK | July retail price index* | -0.1% | 0.4% |
| | UK | July retail price index** | 3.2% | 2.9% |
| | US | Second quarter productivity prelim | | 2.6% |
| Wed | Italy | June producer price index** | 1.6% | 1.1% |
| Aug 13 | Italy | June wholesale price index** | 0.2% | -0.2% |
| | Spain | July consumer price index total* | 0.2% | 0.0% |
| | Spain | July consumer price index total** | 1.6% | 1.6% |
| | UK | July unemployment | -30K | -37K |
| | UK | June average earnings | 4.25% | 4.24% |
| | US | July retail sales | | 0.5% |
| | US | July producer price index | | -0.1% |
| | NZ | July food price index | 0.2% | 0.1% |
| Thurs | China | July trade balance | $3.5bn | $3.88bn |
| Aug 14 | Sweden | May industrial production** | | 5.8% |
| | US | July consumer price index | 0.2% | 0.1% |
| | US | June business inventories | 0.3% | 0.2% |
| | US | July industrial production | 0.2% | 0.3% |
| | US | July capacity utilisation | 83.5% | 83.5% |
| | US | July real earnings | | 0.5% |
| Friday | Japan | June industrial production † | | -3.1% |
| Aug 15 | Japan | June shipments † | | -2.0% |
| | Malaysia | July consumer price index** | 2.6% | 2.2% |
| | Nthlands | June industrial production | 3.0% | 4.1% |
| | Sweden | July unemployment rate | 9.2% | 8.8% |
| | Canada | July leading indicators*† | 0.7% | 0.8% |
| | Ireland | July wholesale price index* | -0.1% | 0.3% |
| | Ireland | July wholesale price index** | -0.5% | -0.7% |
| | US | July bank credit | | 6.7% |
| | Poland | July consumer price index* | | 1.5% |
| | Poland | July consumer price index** | | 15.3% |
| Aug 16 | Sing'pre | 2nd quarter gross domestic product** | 5.8% | 3.8% |
| Sunday | Taiwan | 2nd quarter gross domestic product** | 6.1% | 6.83% |
| Aug 17 | Japan | July M2+CD** | | 2.8% |
| | Japan | July broad liquidity** | | 3.3% |
| | Phl'pin | June trade balance | | -$970m |
| During the week... | | | | |
| | Germany | June retail sales** | -1.0% | -2.3% |
| | Germany | June retail sales†* | | 0.1% |
| | Switz | July producer price index** | 0.7% | 0.4% |
| | Russia | June consumer price index** | | 14.6% |
| | Germany | July wholesale price index* | 0.3% | -0.3% |
| | Mexico | June industrial activity** | 7.5% | 9.0% |

*month on month. **year on year †seasonally adjusted

Statistics, courtesy MMS International.



JOTTER PAD

## MONDAY PRIZE CROSSWORD

No.9,450 Set by GRIFFIN

**ACROSS**

1 Their work involves filling in forms (12)
10 Obscure crops in the outskirts of Eastbourne (7)
11 Could be Spanish nuts in a brie (7)
12 He's backing the French spirit (5)
13 Where women only oil gear wheels behind bearing (8)
15 What's up when something's missing? (10)
16 Likelihood of very big old pennies being accepted (4)
18 See I am losing no time (4)
20 After end of strike workers in pit will be flogged (10)
22 Painter worried about river water creature (8)
24 To prevent *blushing* has iron injection in back (5)
26 Cheering, eggs on to reverse it in (7)
27 Initially earning points easily Eric is soon top swordsman (7)
28 Revealing too much ruins films (12)

**DOWN**

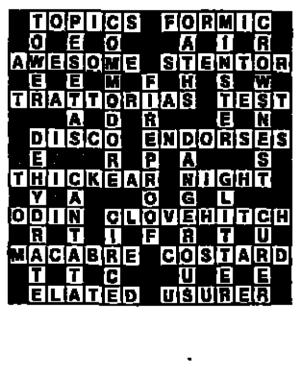
2 Fast stage in oral improvement (7)
3 I'm getting staff to admit it's rude (8)
4 In bed, enjoying something heavenly? (4)
5 Miss turning point somewhere in Berkshire (10)
6 Old kingdom has to be rebuilt (5)
7 Expert eventually arrives late (7)
8 Check vehicle before race, beginning again (13)
9 Imprisoned convict admitted speed's thoughtless (13)
14 Funny woman gives men codeine indiscriminately (10)
17 One's not frightened to show it (8)
19 Rushed, notice nothing of storm (7)
21 Lawless person running funfair (7)
23 Similar to Capone. I take 50% (5)
25 Jump on open ground parking (4)

Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of £40 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday August 21, marked Monday Crossword 9,450 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday August 25. Please allow 28 days for delivery of prizes.

Name.........................................

Address.........................................

Solution 9,438



WINNERS 9,438: M. Chevassut, Healaugh, North Yorkshire; C.S. Bennett, Hadstock, Cambridge; Kay Hambrook, Caterham, Surrey; D. Thomas, Bracknell, Berkshire.